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

Instructor: Stefano DellaVigna, 515 Evans Hall
sdellavi@econ.berkeley.edu.
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). 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. (the course webpage)

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
- Reference Dependence, Part 1

February 18 – Lecture 5
- Reference Dependence, Part 2
- Effect of Experience

February 25 – Lecture 6
- Reference Dependence, Part 3
- Framing and Narrow Framing, Part 1

March 3 – Lecture 7
- Framing and Narrow Framing, Part 2

March 10 – Lecture 8
- Financial Data Sets
- Introduction to Corporate Finance
- Empirical Problem Set Handed Out (Earnings Announcement)

March 17 – Lecture 9

Earning Announcements
Introduction to Behavioral Finance

March 24 – Spring Break – No Lecture

March 31 – Lecture 10
Attention, Part 1
Guest Lecture (Josh Pollet)

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

April 14 – Lecture 12
Attention, Part 2
Guest Lecture (Terry Odean)
Market Reaction to Biases, Part 2
Economics of Media, Part 1

April 21 – Lecture 13
Economics of Media, Part 2
Persuasion and Social Learning, Part 1

April 28 – Lecture 14
Persuasion and Social Learning, Part 2
Overconfidence

May 5 – Lecture 15
Social Preferences
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/lsf02/choi.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

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

*Ausubel, Lawrence. "Adverse Selection in the Credit Card Market", Working Paper, University of Maryland, June 1999.
http://www.ausubel.com/creditcard-papers/adverse.pdf

*Ariely, Dan and Wertenbroch, Klaus (2002), "Procrastination, Deadlines, and Performance: Self-Control by Precommitment, *Psychological Scienc*e, 13 (May), 219-224
http://web.mit.edu/ariely/www/papers/deadlines.pdf

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

Miravete, Eugenio "Choosing the Wrong Calling Plan? Ignorance and Learning" AER, 2002.
http://www.ssc.upenn.edu/~miravete/Papers/miravete_aer_2002.pdf

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

Payday effect

*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 "Beer, Steak and Whisky: Evidence of a Payday Spending-Spree"

Melvin Stephens Jr. "Paycheck receipt and the timing of consumption." National Bureau of Economic Research Working Paper, 9356, November 2002.

Melvin Stephens Jr. ""3rd of tha month": Do social security recipients smooth consumption between checks?" *American Economic Review*, 93(1):406—422, March 2003.

Labor Economics

DellaVigna, Stefano and Paserman, Daniele. "Job Search and Impatience", November 2001.
http://emlab.berkeley.edu/users/sdellavi/wp/impatience_nov01.pdf

Paserman, Daniele. "Job Search and Hyperbolic Discounting: Structural Estimation and Policy Implications." Manuscript, Hebrew University of Jerusalem, September 2003.

Public Economics
Hanming, Fang and Silverman, Dan. "On the Compassion of Time-limited Welfare Programs" July 2002, *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.
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Oettinger, G. 1999 “An empirical analysis of the daily labor supply of stadium vendors”, *JPE*, p.360-92.

*****Farber, Hank. "Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers", Princeton, 2003.

*Fehr, Ernst and Goette, Lorenz. “Intertemporal Substitution at Work? Evidence from a Field Experiment”, 2002.
http://www.unizh.ch/iew/wp/iewwp125.pdf

Goette, Lorenz and Huffman, David “Reference-Dependent Preferences and the Allocation of Effort Over Time”, 2004.

Market experience
* List, John. “Does Market Experience Eliminate Market Anomalies? ”, QJE, forthcoming.

*List, John A. "Neoclassical Theory Versus Prospect Theory: Evidence from the Marketplace," Econometrica (2004), forthcoming

Haigh, Michael, and John A. List "Do Professional Traders Exhibit Myopic Loss Aversion? An Experimental Analysis," Journal of Finance (2004), forthcoming.

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

Camerer, Colin. “Prospect theory in the wild: Evidence from the field”
CVF 16

Odean, Terry. “Are Investors Reluctant to Realize Their Losses?”, Journal of Finance, 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.

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

Barberis, Huang, and Santos, “Prospect Theory and Asset Prices,” *Quarterly Journal of Economics*, v116, 2001, pp.1-53.

Barberis, N. and Huang, M., “Mental Accounting, Los Aversion, and Individual Stock Returns” *Journal of Finance*, 56, 2001, pp.1247-92.

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

3. Framing and Narrow Framing

Constructed Preferences
*Ariely, Dan, Loewenstein, George, & Prelec, Drazen. Coherent arbitrariness: Stable demand curves without stable preferences. *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

Menu effects

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…

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.

Bargaining
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

4. Behavioral Finance

Overview
*Barberis, Nick and Thaler, Richard. “A Survey of Behavioral Finance”

Noise traders
*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 Financ*e, Russell Sage Foundation, 1993.

Shleifer, Andrei, Summers, Lawrence. “The Noise Trader Approach to Finance”. *Journal of Economic Perspective*s, Spring, 1990.

Earning announcements
Chan, Louis, Narasimhan Jegadeesh, Josef Lakonishok,"Momentum Strategies",
The Journal of Finance, Vol. 51, No. 5, Dec. 1996, 1681-1713.

Event Studies
*Binder, John J. “The Event Study Methodology since 1969”, Review of Quantitative Finance and Accounting, 1998.

*Wolfers, Justin and Zitzwitz, Eric. “Using Markets to Evaluate Policy: The Case of the Iraq War”, mimeo, 2004.

5. Attention

Theory and Experiments
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

*Pollet, “Predicting Asset Returns with Expected Oil Price Changes”, November 2003.

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

6. 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
Shleifer, Andrei. *Clarendon Lectures: Inefficient Markets*, Oxford University Press, 2000.

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

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

*Gabaix, Xavier and David Laibson. "Competition and Consumer Confusion", March 2004.
http://econ-www.mit.edu/faculty/xgabaix/papers.htm

*Gabaix, Xavier and David Laibson. "Shrouded Attributes and Information Suppression in Competitive Markets", March 2004.

Corporate Decisions
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]

*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

DellaVigna, Stefano, and Pollet, Joshua. "Strategic Release of Information on Fridays: Evidence from Earnings Announcements," 2004.

Employers
Card, David, and Hyslop, D. "Does inflation grease the wheels of the labor market?" in C. D. Romer and D. H. Romer (eds.), Reducing Inflation: Motivation and Strategy. NBER, Studies in Business Cycles, 30. Chicago: University of Chicago Press.

Betting
*Steven D. Levitt How Do Markets Function? An Empirical Analysis of Gambling on the National Football League, NBER w9422, Jan 2003.

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

7. Economics of the Media

Media Coverage and Government Behavior
*David Stromberg, "Radio's Impact on Public Spending," *Quarterly Journal of Economics*, 119, February 2004.

*Timothy Besley And Robin Burgess, "The Political Economy Of Government Responsiveness: Theory And Evidence From India", *Quarterly Journal of Economics*, 117, November 2002.

Media Bias
Andrei Shleifer and Sendhil Mullainathan "The Market for News", mimeo, 2002.

*Timothy Groseclose: "*A Measure of Media Bias*", mimeo, 2002.

Media Coverage and Reader Behavior
*Lisa George and Joel Waldfogel "*Does the New York Times Spread Ignorance and Apathy?*", mimeo, 2002.

Matt Gentzkow

*Alexander Dyck and Luigi Zingales "*The Media and Asset Prices*", mimeo, 2002.

8. 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.

Huberman, Gur.

*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

*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

Social Learning (not covered this year – see David Card's Labor Economics class)
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

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 Önçüler “Status as a Valued Resource”, mimeo.
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

9. Overconfidence

Entrepreneurs
*Camerer, Colin, and D. Lovallo (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.

10. Social Preferences

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

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*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

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*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

new Falk

Additional Topics
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