

Applications of Psychology and Economics – Econ 219B
Spring 2004
Wednesday 12-3, 639 Evans
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Homework 3.
Due on February 10 at 12pm

This homework will be a brief (one- to two-pages overall) report on two of the three papers:

*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.

*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.

Here are some questions you may want to write about:

- The crucial (often unspecified) element of referent-dependent theories is the framing. In the Camerer et al. and Fehr and Goette paper, the implicit assumption is that it's earnings for the **day** that matter. Why does this make sense? Why does it NOT make sense? (arguing the two-sides is often a good exercise)
- Brainstorm about the framing horizon of different economic decisions (consumption, addiction, education, job choice, charitable donations, accounting,...). Does this suggest empirical studies along the lines of the Camerer et al. paper?
- Why do the Camerer et al. and the Farber papers find such different results? Are they really that different? Could Farber's results be due just to weak power of the test?
- One of the most interesting features of the Fehr-Goette paper is that they find a correlation between laboratory risk-taking and labor supply in the field. What are other cases in which one could combine experimental and field data?

The readings for next week are

*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>

*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.

Remember, the homework is due on Tuesday by noon. See you next week!