

Applications of Psychology and Economics – Econ 219B  
Spring 2004  
Wednesday 12-3, 639 Evans  
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Homework 9.  
Due on April 13 at 12pm

This homework will be a brief (one- to two-pages overall) report on any (or more) of the next three topics:

- the Barber-Odean paper on attention;
- the papers on the media;
- the paper by Benartzi and Thaler on SMRT plans.

Here are some questions that I would like you to think about for next week. Feel free to just elaborate on one question.

On Odean's paper:

- What kind of stocks grab attention according to the authors? Try to apply the same idea to the choice of jobs, consumer products, 401(k) plans, anything you can think of. Does this suggest interesting implications/studies?
- To what extent the results could be driven by short-selling constraints, that is, the difficulty of individual investors of selling stocks they do not own?

On the media papers:

- Which media deliver most information today? Would you find a similar effect as in the two papers for the US today?
- What is special about media data? Suppose that you had daily programming for 30 years in the major TV news shows. That is, you know the headlines of all the major news stories. (this is actually the Vanderbilt data) How would you use it?
- How does media data relate to attention? How about persuasion? How about reference point determination? How about self-control?

On the Benartzi and Thaler SMRT plan:

- Think of the bias that you think has the worst welfare consequences. Can you think of ways to design contracts, institutions to make the problem better?
- Can you think of simple interventions with large effects?

The readings for next week are:

\*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>

\*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.

\*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>

The homework is due on Tuesday by noon. See you next week!