

Universität Kassel FB07 34109 Kassel

To all PhD-students  
in the MAGKS-network

**FG Finanzwissenschaft**

Prof. Dr. Ivo Bischoff

Universität Kassel  
Fachbereich Wirtschaftswissenschaften  
Nora-Platiel-Str. 4  
34127 Kassel

bischoff@wirtschaft.uni-kassel.de  
Telefon +49 561 804 3064

### **MAGKS-Course on Behavioral Economics**

11.10.2017  
Seite 1 von 7

Dear PhD-students,

Welcome to my MAGKS-course on Behavioral Economics. It is divided into two blocks

Block 1: January 16 – 18, 2018

Block 2: 2 additional days, date is fixed during Block 1

It will take place at the University of Kassel, Campus Holländischer Platz, Henschelstraße 4, Building K33 Raum 1109 (10.30 a.m. – 5.30 p.m.).

The main aim of the course is to give you an overview on the field of Behavioral Economics covering both concepts and methods and hopefully inspiring you to make use of them in your own research.

Below, please find the rough outline of the course and a list of reading for block 1. The list includes far more things than we can even touch on. It is intended to inspire selective reading. You do not have to work through the readings.

(Ivo Bischoff)

## Outline on the MAGKS–Course “Behavioral Economics” (preliminary)

### Block 1:

- On the first two (and a quarter) days, I will introduce you to the field of Behavioral Economics.
- On day 3, participants give a 10–minute presentation about the main theme of their dissertation (or any other research project they currently work on). In this presentation, the following questions should be addressed:
  - Which concepts and methods are potentially useful from your own research?
  - How can they be integrated?

After each presentation, there will be room for discussion – especially on these two questions.

- At the end of day 3, each one of you chooses a specific concept or method that has not been covered so far. These concepts or methods can be related to your own research but it does not have to be.

### Time between blocks:

- You prepare a presentation on the concept or method chosen and a commented list of readings for the other participants of the course.
- If you have any question regarding your presentation, I will be happy to help.

### Block 2:

- Students give their presentations (20 minutes per presentation).
- They should focus on the following aspects
  - key elements of the concept or method
  - How to apply the concept (possibly using an example)
- Each presentation is followed by a general discussion.
- You may also present any research idea related to Behavioral Economics.

**A. Behavioral Economics – Defining a new field in economics**

1. Rationality in economics and psychology
2. Conventional economics versus behavioral economics
3. Complex environments and the as-if assumption

**B. Anomaly-Hunting in non-complex environments**

1. Non-rational behavior in games against nature
2. Violations of the implicit requirements for rational behavior
3. Non-rational behavior in games

---

**C. Broadening the scope of the utility functions**

1. Fairness and other-regarding preferences
2. Psychological games
3. Identity Economics
4. Expressive behavior

**D. Boundedly rational behavior – a selection of models using non-complex environments**

1. Prospect theory
2. Regret theory
3. Self-control problem – the  $(\beta, \delta)$ -problem
4. Roemers' concept of a Kantian equilibrium

**E. Human behavior in complex environments**

1. Cognitive concepts and stylized facts about deliberation in complex environments
2. Fast and frugal heuristics
3. Decision making in a complex world – mental models
4. Evidence on laymen's reasoning about the economy

**F. Methods in behavioral economics**

1. Experimental Economics
2. Neuroeconomics
3. Vignettes

## **G. (Further) Imports from psychology**

1. Personality
2. Affect and Emotions

## **H. Learning**

1. Learning in conventional economics
2. Normative theories of learning
3. Positive theories of learning
4. Using models of learning to answer questions in economics and economic policy
5. Some remarks on the choice of an adequate learning model

---

## **Literature:**

- Akerlof, G. A. and Kranton, R. E. (2000). Economics and Identity. *Quarterly Journal of Economics* CXV (3): 715–753.
- Akerlof, G. A. and Kranton, R. E. (2001). A model of oppositional culture. Mimeo.
- Becker, G. S. (1986). The economic approach to human behavior. in: Elster, J. (Eds.). *Rational Choice*. Oxford, Basil Blackwell: 108–122.
- Benabou, R. and Tirole, J. (2016). Mindful Economics: The production, consumption and Value of beliefs. *Journal of Economic Perspectives* 30(3): 141–164.
- Bischoff, I. (2004). Inhalt und empirischer Gehalt der Rationalitätsannahme – ein Literaturüberblick, in: *Jahrbuch für Wirtschaftswissenschaften* 55: 196–221.
- Bleichrodt, H. and Wakker, P. P. (2015). Regret theory. A bold alternative to the alternatives. *Economic Journal* 125: 493–532.
- Brenner, T. (1999). *Modelling Learning in Economics*. Cheltenham, Edward Elgar.
- Brocas, I. and Carrillo J. D. (2014). Dual-process theories of decision making: A selective survey. *Journal of Economic Psychology* 41: 45–54.
- Camerer, C., Loewenstein, G. and Prelec, D. (2005). Neuroeconomics: How Neuroscience Can Inform Economics, *Journal of Economic Literature*, XLIII: 9–64.
- Collier, P. (2016). The cultural foundations of economic failure: a conceptual toolkit. *Journal of Economic Behavior & Organization* 126: 5–24.
- Collins, J. et al. (2016). Evolutionary Biology in Economics: A review. *Economic Record* 92/297, 291–312.
- Dal Bo, E. et al. (2016). The demand for bad policy when voters underappreciate equilibrium effects.
- De Kleer, J. and Brown, J. S. (1983). Assumptions and Ambiguities in Mechanistic Mental Models. in: Gentner and Stevens (Eds): *Mental models*. Hillsdale etc., Erlbaum, 155–191.

- Dietrich, F. and List, C. (2016). Mentalism versus Behaviourism in economics: a philosophy of science perspective. *Economics and Philosophy* 32: 249–281.
- Dietrich, F. and List, C. (2016). Reason-based choice and context dependency: an explanatory framework. *Economics and Philosophy* 23: 175–
- Dixon, R. et al. (2014). Lay people's models of the economy: A study based on surveys of consumer sentiments. *Journal of Economic Psychology* 44: 13–20.
- Elster, J. (1998). Emotions and Economic Theory. *Journal of Economic Literature* 36(1): 47–74.
- Falk, A. et al. (2016). The Preference Survey Module. A validated instrument for measuring risk, time and social preferences, IZA Discussion Paper No. 9674.
- Fehr, E. and Schmidt, K. (1999). A theory of fairness, competition and cooperation. *Quarterly Journal of Economics* 114(3): 817–868
- Friedman, D. and Sunder, S. (1994). *Experimental methods, A primer for economists*. Cambridge, Cambridge University Press.
- Geanakoplos, J. and Pearce, D. (1989). Psychological Games and Sequential Rationality. *Games and Economic Behavior* 1: 60–79.
- Gentzkow, M. et al. (2016). Text as data. NBER Working Paper 23276.
- Gigerenzer, G., Todd, P. M. and the ABC Research group (1999, eds.). *Simple heuristics that make us smart*. Oxford, Oxford University Press.
- Hamlin, A. and Jennings, C. (2011). Expressive Political Behaviour: Foundations, Scope and Implications. *British Journal of Political Science* 41: 645–670.
- Harbaugh, W.T., Mayr, U. and Burghart, D.R. (2007). Neural responses to taxation and voluntary giving reveal motives for charitable donations *Science* 316: 1622–1625.
- Harstad, R. M. and Selten R. (2013). Bounded-Rationality Models: Tasks to become intellectually competitive. *Journal of Economic Literature* 51(2): 496–511.
- Heiner, R. A. (1983). The origins of predictable behavior. *American Economic Review* 73(4): 560–595.
- Izard, Carroll E. (2010a): „The many meanings/aspects of emotion – Definitions, functions, activation, and regulation”, *Emotion Review*, 2 (4), S.363–370.
- Izard, Carroll E. (2010b): „More meanings and more questions for the term emotion”, *Emotion Review*, 2 (4), S.383–385.
- Jackson, M. O. (2014). Networks in the understanding of economic behaviors. *Journal of economic perspectives* 28(4): 3–22.
- Kahneman, D. and Tversky, A. (1979). Prospect Theory: An analysis of decision under uncertainty. *Econometrica* 47: 263–291.
- Kahneman, D. and Tversky, A. (1992). Advances in Prospect Theory: Cumulative Representation of Uncertainty. *Journal of Risk and Uncertainty* 3: 297–323.
- Kleinginna, Paul R. und Anne M. Kleinginna (1981). A categorized list of emotion definitions, with suggestions for a consensual definition. *Motivation and Emotion*, 5 (4): 345–379.

- Konow, J. (2009). Is fairness in the eye of the beholder? An impartial spectator analysis of justice. *Social Choice and Welfare* 33:101–127.
- Konow, J. (2003). Which is the fairest one of all? A positive analysis of justice theories. *Journal of Economic Literature* XLI: 1188–1239.
- Konow, J. (2001). Fair and square: the four sides of distributional justice. *Journal of Economic Behaviour and Organization* 46: 137–164.
- Leiser, D. and Shemesh, Y. (forthcoming). How we misunderstand economics and why it matters. Mimeo.
- Leiser, D. et al. (2017). The conspirational style in lay economic thinking. *PLOS one* 12(3): 1–17.
- Loewenstein, G. and Adler, D. (1995). A bias in the prediction of tastes. *The Economic Journal* 105: 929–937.
- MacKinnon A., Jorm, A. F., Christensen H., Korten A. E., Jacomb, P. A. and Rodgers, B. (1999). A short form of the Positive and Negative Affect Schedule: evaluation of factorial validity and invariance across demographic variables in a community sample. *Personality and Individual Differences* Volume 27 (3): 405–416.
- Mauss, Iris B. und Michael D. Robinson (2009): „Measures of emotion – A review“, *Cognition & Emotion*, 23 (2), S.209–237.
- McNair, D. M., Lorr, M., and Droppelman, D. F. (1971). *Profile of Mood States*, San Diego: Educational and Industrial Testing Service.
- Müller, J. and Schwier, C. (2012). What can the Big Five Personality Factors contribute to explain Small-Scale Economic Behavior? *Tinbergen Institute Discussion Paper* 2012–28/1.
- Müller, J. and Schwier, C. (2017). Using Personality Questionnaires in Experiments – Limits and Potentials. ;MPRA paper No. 78132.
- O-Donoghue, T. and Rabin, M. (1999). Doing it now or doing it later. *American Economic Review* 89: 103–24.
- Rabin, M. (1993). Incorporating Fairness into Game Theory and Economics. *American Economic Review* 83(5), 1281–1302.
- Rammstedt, B. et al. (2012). Eine kurze Skala zur Messung des fünf Dimensionen der Persönlichkeit: Big-Five-Inventory-10 (BFI-10). Working Paper, Leibniz-Institut für Sozialwissenschaften.
- Rauhut, H. and Winter, F. (2010). A sociological perspective on measuring social norms by means of strategy method experiments. *Social Science Research* 29: 1181–1194.
- Roemer, J. E. (2010). Kantian Equilibrium. *Scandinavian Journal of Economics* 112(1): 1–24.
- Roemer, J. E. (2014). Kantian optimization: A microfoundation for cooperative behaviour. *Journal of Public Economics* forthcoming.
- Rossi, P. H., and Richard A. Berk (1985). Varieties of normative consensus. *American Sociological Review* 50: 333–347.
- Schnellenbach, J. and Schubert, C. (2014). Behavioral Public Choice: A survey. *Freiburg Discussion Papers on Constitutional Economics* 14/03.

- Shayo, M. (2009). A model of social identity with an application to political economy: Nation, class, and redistribution. *American Political Science Review* 103(2): 147–174.
- Wälde, K. (2016). Emotion Research in Economics. Gutenberg School of Management and Economics & Research Unit “Interdisciplinary Public Policy” Discussion Paper number 1611.
- Weber, R. A. (2001). Behavior and Learning in the “Dirty Face” Game. *Experimental Economics* 4: 229–242.
- Xiao, E. and Houser, D. (2009). Avoiding the sharp tongue – Anticipated written messages promote fair economic exchange. *Journal of Economic Psychology* 30:393–404.