University of Toronto (Fall 2016)

Behavioral/Experimental Economics (ECO3100H1F) Syllabus

Instructor: Yoram Halevy

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Office hours: Drop-in or by e-mail.

Course time and location: Thursday: 16:00-18:00, GE 100.
No meetings on: October 6, November 10.

Additional lessons: Thursday 11:00-13:00, GE 106 – I will coordinate at least one week in advance.

Grading: We will discuss papers in class and you will be required to prepare a research proposal. The research proposal can be in core behavioral economics or can apply the methods to a field.

Course Description: Behavioral economists study models of human decision making and the interaction among such decision makers in games and markets. As behavioral economists aspire to construct "realistic" models, many of the models are inspired by Psychological and experimental studies.
We will cover the following topics: individual choices under risk and uncertainty; intertemporal choice; other-regarding preferences; bounded rationality in individual decision making and games; measuring rationality; Neuroeconomics/non-choice data, and the mindless-economics debate.

Prerequisites: Students enrolled in this course are expected to have first-year PhD core courses or alternative comparable background. In particular, Economics undergraduate background is not sufficient. If you are unsure, do not hesitate to consult me.
Papers:
Subset of the papers below will be assigned and discussed in class.

Prospect Theory:
- Plott and Zeiler, “The Willingness to Pay-Willingness to Accept Gap, the `Endowment Effect,’ Subject Misconceptions, and Experimental Procedures for Eliciting Valuations”, AER, 95 (3), 2005, 530-545
- Freeman, “Revealed Preference Foundations of Expectation Based Reference Dependence”
- Blow, Crawford and Crawford, “Meaningful Theorems: Revealed Reference-Dependent Preferences”
- Safra and Segal, “Calibration Results for Non-Expected Utility Theories”, *Econometrica*, 2008
- Freeman, “Calibration without reduction for non-expected utility”, JET, 2015
- Ebert and Strack, AER, 2015

NEU under Risk:
- Yaari (ECMA, 1987)
- Chew (ECMA, 1983)
- Dekel (JET, 1986)
- Gul (ECMA, 1991)
- Machina (JEP, 1987)
• Cerreia-Vioglio, Dillenberger and Ortoleva (ECMA 2015)

Ambiguity:
• Fox and Tversky, “Ambiguity Aversion and Comparative Ignorance”, Quarterly Journal of Economics, 1995
• Halevy, “Ellsberg Revisited: An Experimental Study”, Econometrica, 2007
• Klibanoff, Marinacci and Mukerji, “A Smooth Model of Decision Making Under Ambiguity”, Econometrica, 2005
• Seo, “Ambiguity and Second Order beliefs”, Econometrica, 2009
• Amarante, Halevy and Ozdenoren, “Uncertainty and Compound Lotteries: Calibration”, mimeo, 2010
• Critique (Al-Najjar and Weinstein Economic and Philosophy special issue)
• Application:
  • Survey (Mukerji and Tallon)
  • Asset markets (Epstein and Schneider)
  • Optimal Auctions (Bose, Ozdenoren and Pape TE, 2006)
• Epstein and Halevy, “No Two Experiments are Identical”.

Time Preference and Self Control:

Early Papers:
- Chew Epstein IER 1989
- Epstein Zin ECMA 1989
- Duffie Epstein ECMA 1992
- Chew Epstein JET 1990

Survey:


Applications of Quasi-hyperbolic Discounting:


Rubinstein’s Critique:


Time and Risk:

- Saito, Comment on Halevy, AER 2011
- Chakraborty and Halevy, 2015, “Allais meets Strotz” working paper.
- Halevy, “Diminishing Impatience: Disentangling Time Preference from Uncertain Lifetime”, mimeo, 2005
- Baucells and Heukamp, “Probability and Time Tradeoff”, MS, 2012
- Epper and Fehr-Duda Missing Link

Preference over menus:

- Dekel, Lipman and Rustichini, “Representing Preferences with A Unique Subjective State Space”, *Econometrica*, 2001

**Dual-Self:**

**Recent papers:**

**Experimental Papers:**
- Andersen Harrison Lau Rutstrom (ECMA 2008)
- Andreoni Sprenger Estimating Time Preference (AER 2012)
  - Chakraborty, Calford, Fenig and Halevy (mimeo, 2015)
- Andreoni and Sprenger Risk Preferences are not Time Preferences (AER 2012)
  - Cheung (AER 2015)
  - Epper and Fehr-Duda (AER 2015)
  - Miao and Zhong (AER 2015)
- Halevy, Time Consistency: Stationarity and Time Invariance (ECMA 2015)
- Augenblick, Niederle and Sprenger, (QJE 2015)

**Other-Regarding Preferences:**
- Geanakoplos, Pearce and Stacchetti, “Psychological Games and Sequential Rationality”, *Games And Economic Behavior*, 1989
• Fehr and Schmidt, “The Economics of Fairness, Reciprocity and Altruism – Experimental Evidence and New Theories”, in: Handbook of the Economics of Giving, Altruism and Reciprocity, vol 1, 2006
• Halevy and Peters, “Other-Regarding Preferences: Outcomes, Intentions or Interdependence?” mimeo

Measures of Choice Consistency
• Andreoni and Miller, “Giving according to GARP: an experimental test of the consistency of preferences for altruism”, ECMA, 70 (2), 737-753, 2002.
• Choi, Kariv, Muller, Silverman, “Who is (More) Rational?” AER, 104 (6), 1518-1550, 2014
• Halevy, Persitz and Zrill, “Parametric Recoverability of Preferences”

Level-k Thinking:
• Nagel, “Unraveling in Guessing Games: An Experimental Study”, American Economic Review, 1995
• Georganas, Healy and Weber On the Persistence of Strategic Sophistication (JET forthcoming)
• Alaoui and Penta (REStud, forthcoming)
• Kneeland, Terri, “Identifying Higher-Order Rationality” (ECMA 2015)
Models of Bounded Rationality:

- Caplin and Dean (TE 2011) + Caplin, Dean and Martin (AER 2011)
- Agranov and Ortoleva “Stochastic Choice and Preferences for Randomization” (JPE, forthcoming)

Replication:

- Camerer et al Science, 2016

Critique:

- Gul and Pesendorfer, “The Case for Mindless Economics”
- Pesendorfer, “Behavioral Economics Comes of Age”, 2006
- Al Roth’s critique page: [http://web.stanford.edu/~alroth/critiques%20of%20experimental%20econ.html](http://web.stanford.edu/~alroth/critiques%20of%20experimental%20econ.html)