

Master Course: Behavioral Economic Theory

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Objectives

The course discusses classical models, applications, and recent developments in the literature on reference dependent utility. Papers mentioned in the list of topics (see below) are to be downloaded on the OLaT page of this course.

Evaluation

Presentation Course participants present models and experimental findings (see list of topics).

Discussion Each participant acts as a discussant for one of the presentations. Discussions are expected to last 10 minutes (at least).

Research paper After the course, students have to prepare a short paper (6 to 10 pages) with a proposal for a research project (e.g., a laboratory experiment, a field study, or an application of a model to a specific context).

The final grade consists of a grade for the presentation (40%), the paper (30%), the discussion (20%) and in-class participation (10%).

Topics

1. *Early (and more recent) research on reference dependence: Prospect theory and other explanations*

- Kahneman, Knetsch, and Thaler (1990,1991)
- List (2003)
- Kahneman and Tversky (1979)
- Plott and Zeiler (2005)
- Engelmann and Holland (2010)

2. *Risk aversion over modest stakes*

- Barberis, Huang, and Thaler (2006)
- Rabin (2000)

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- Sydnor (2010)
3. *Reference dependent utility - expectation based theories*
 - Köszegi and Rabin (2006,2007,2009):
 4. *Income targeting*
 - Camerer, Babcock, Loewenstein, and Thaler (1997)
 - Oettinger (1999)
 - Crawford and Meng (2009)
 - Farber (2005)
 5. *Stickiness and focality of prices*
 - Heidhues and Köszegi (2008)
 6. *Disposition effect*
 - Odean (1998)
 - Barberis and Xiong (2012)
 - Genesove and Mayer (2001)
 7. *(Exploiting) credit contracts and presence bias*
 - Heidhues and Köszegi (2010,2015)
 - Eliaz and Spiegler (2006)
 8. *Interdependent preferences*
 - Fehr and Schmidt (1999)
 - Engelmann and Strobel (2004)
 - Fehr and Schmidt (2005)
 - Sobel (2005)
 - Maccheroni et al. (2012)
 - Rabin (1993)
 - Dufenberg and Kirchsteiger (2000)
 9. *Projection bias and welfare implications*
 - Read and van Leeuwen (1998)
 - Loewenstein et al. (2003)
 - Infante et al. (2016)