Master Course: Behavioral Economic Theory

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Objectives

In times of fake news, bubbles, and deal-making, a better understanding of how individuals respond to incentives for lying, deception, or deal-breaking seems to be on top of the agenda. The course therefore focuses on the theoretical and empirical literature on strategic information transmission, i.e., reasons for lying, truth-telling, deception, or promise keeping and discusses modern models of human behavior and the corresponding body of experimental evidence.

Evaluation

Presentation Each course participant will work on a (set of) papers (see below, papers will be allocated via a first-come-first-serve doodle). Students are asked to present the main findings, model characteristics, and empirical evidence presented in the listed paper(s) and potentially other contributions to the literature. Presentations are expected to last 90 minutes including discussion and can be done in teams of at most two students.

Discussion Each participant acts as a discussant for one of the other presentations (discussants are allocated randomly by the course coordinators). Discussants are expected to provide their own assessment and interpretation of the findings presented by the student in charge for the corresponding research question. Discussions are expected to last 10 minutes (at least). Furthermore, students are expected to prepare the literature for each meeting and to contribute to the in-class discussions.

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%).

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Topics

1. Sobel (2018), Lying and deception in games: The paper provides a careful distinction between lying, deceiving, and damaging and thereby offers a good introduction into the research on (strategic) information transmission.

2. Fischbacher and Foellmi-Heusi (2013), Lies in disguise; Khaltmetski and Sliwka (2017), Disguising lies: The papers provide experimental evidence for cheating and present a model with lying costs and image concerns to explain observed patterns of behavior.

3. Gneezy (2005), Deception - the role of consequences; Erat and Gneezy (2011), White lies: The papers explore the impact of consequences of lies on behavior.

4. Dufwenberg et al. (2017), Honesty and informal agreements: The paper develops and tests a model of informal agreements resting on the assumption that people tend to be honest but suffer from overcoming temptations.

5. Ederer and Stremitzer (2017), Promises and expectations; Ellingsen et al. (2010), Testing guilt aversion; Khaltmeski (2016), Testing guilt aversion with an exogenous shift in beliefs: This set of papers investigates in how far people tend to keep their promises because others expect them to do so.

6. Vanberg (2008), Why do people keep their promises? ; Bartolomeo et al. (2018): These papers compare different motives for promise keeping

7. Kartik (2008), Strategic communication with lying costs: The paper analyses a model of strategic information transmission in the presence of lying costs and demonstrates language inflation and incomplete information revelation.

8. Gneezy et al. (2018), Lying aversion and the size of the lie: The paper develops and tests a model of lying aversion focusing on the degree of misrepresenting private information.

9. Abeler et al. (2016), Preferences for truth-telling: This paper presents a meta-study of experiments on cheating and deception and offers a model to explain observed behavioral patterns.