Extended reading list for SS200 Behavioral Economics
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[thanks to Doug Bernheim and Antonio Rangel for lending their syllabus, much of which is repeated below]

1. Introduction


2. Behavioral Game Theory

Limits on strategic thinking


Fairness etc

Bolton, Gary. Experimental Economics 1999?


Cox, J. and D. Friedman (2002) “A Tractable model of Reciprocity and Fairness,” working paper;


Geanakopolos, J. et. al. (1989) “Psychological Games and Sequential Rationality,” Games and Economic Behavior; 1;


Levine, David, "Modeling altruism and spitefulness inxperiments," 1997, J Ec Dynamics and Control?


Thaler CURSE book chs 2-3

"Gift Exchange" and Trust

Akerlof & Yellen, "The fair wage-effort hypothesis and unemployment," QJE May 1990, 255-284. and in ADVANCES.

Camerer and Weigelt. An experimental test of a sequential equilibrium model.
Econometrica, 1988.(first repeated trust game data)


Falk and Fehr. Economic Inquiry?


Healy, “Fairness or gambling on irrationality? An experimental test of cooperation in the gift exchange game” Caltech working paper, 2003 (http://kakutani.caltech.edu/~pj/papers/Healy-FairnessGambling.pdf);


Preference for fair treatment (procedural justice)

Evolutionary Arguments


Katz L. (Ed.) *Evolutionary Origins of Morality: Cross-Disciplinary Perspectives*


Learning


Camerer, Ho and Chong. Self-tuning learning in games. Revision of “Functional EWA” at [http://www.hss.caltech.edu/~camerer/fewaRES.PDF](http://www.hss.caltech.edu/~camerer/fewaRES.PDF)


3. Intertemporal choice

Self-Control and Conflict Resolution


Benabou, Roland and Marek Pycia. Dynamic inconsistency and self-control: A planner-
doer interpretation. Economics Letters, 77, 2002, 419-424. [http://www.princeton.edu/~rbenabou/PLANDO.PDF] [shows that Gul-Pesendorfer “temptation costs” can be thought of as costs expended by a neo-Freudian planner and a doer]


Role of state at time of choice


Present biases and dynamic inconsistencies
Humans:


Coller, Maribeth. et. al. (2002) “Dynamic Consistency in the Laboratory,” mimeo


Nonhuman animals:


Pre-commitment


Reference Points


Misforecasting Future Choices


Slevin, M., et. al. (1990) “Attitudes to Chemotherapy: Comparing Views of Patients with Cancer with those of Doctors, Nurses, and General Public,” British Medical Journal, 300:1458-60

**Anticipatory and Retrospective Emotions**


Koszegi, B. (2001) “Who has anticipatory feelings?” manuscript


**Non-separability: Preference over sequences of outcomes**


**Procedural Choice**


**Backcasting and cognitive dissonance**

Akerlof and Dickens, 1982, AER.


**Applications**


4. Probability Judgment

(These three papers summarize an important debate: Gigerenzer critique of “heuristics and biases” program)


Optimism and overconfidence

(This has been a hot area for “rationalizing” theory; see Compte et al, Heifetz et al, Benabou et al, and Zabonjnik papers);


Benabou, Roland and Jean Tirole. "Self-Knowledge and Self-Regulation: An Economic Approach" forthcoming in Collected Essays in Psychology and Economics, I. Brocas and Juan Carrillo, eds., Oxford University Press. (see also a longer paper in press at QJE etc at http://www.princeton.edu/~rbenabou/) (Benabou and Tirole are also writing a book, summarizing some lectures, on psychology and economics.);

Camerer and Dan Lovallo. Overconfidence and excess business entry: An experimental approach, AER 1999


Odean, Terrance. Volume, volatility, price and profit when all traders are above average.
Tiger, Lionel. The Sociobiology of Hope. (forgotten classic by an earlier pioneer in evolutionary psychology & a great writer)


Self-serving biases


Representativeness heuristic and law small numbers

Kahneman, D. and A. Tversky, chapters 2 to 6 in JUU;

Tversky, A. and D. Kahneman (1974) “Judgement under Uncertainty: Heuristics and Biases,” Science 185, 1124-31. (Hugely cited, beautiful article on summarizing a lot of data);

Camerer, C. (1989) Does the basketball market believe in the hot hand? AER, 1257-61. (An example of how a well-posed question and data can lead to an interesting answer; I wrote this article in one day after getting the results.);


Anchoring and Imperfect Updating


Kahneman, D. and A. Tversky, chapters 10 and 31 in JUU;

Imperfect Forecasting

Kahneman, D. and A. Tversky, chapter 30 in JUU;


5. Preferences

Loss aversion and reference dependence


Idson, L. et. al. (1999) “Distinguishing Gains from Nonlosses and Losses from Nongains
Kahneman, Daniel & Amos Tversky, "Prospect theory," Econometrica 1979, 47(2), 263-91 [you should read this but we will not spend much time on it. A stone masterpiece. Supposedly it is the most widely-cited paper ever published in Econometrica.]


Loewenstein & Sicherman, "Do workers prefer increasing wage profiles?" J Labor Economics, 1991, 9, 67-84


Thaler ch 6 CURSE


Endowment effects


Procedure dependence


Context (framing) and choice-set dependence


Read, D. et. al. (2001) “Which is Better, Simultaneous or Sequential Choice?” Organizational Behavior and Human Decision Processes, 84, 54-70


Construction of preference


Nonexpected utility and subjective expected utility


HAB


Ambiguity


Fox, C. and A. Tversky (1991) “Ambiguity Aversion and Comparative Ignorance,” reprinted in CVF.


Rules and Choice Heuristics


Risk perception


6. New Phenomena and Constructs

Addiction


Attention

Automaticity


Categorization

Conformity & fashion


**Emotion**

Bechara, A. et. al. (1997) “Deciding Advantageously Before Knowing the Advantageous Strategy,” Science


Loewenstein, G. (1994) “The Psychology of Curiosity: A Review and Reinterpretation,” Psychological Bulletin, 118(1):75-98 (underlooked paper; curiosity is probably a major force in early life choices like drug & sexual experimentation which are policy-relevant, also in intellectual curiosity which is probably a major driver of technological innovation and hence of economic development)


Rolls, E. The Brain and Emotion, Oxford University Press, 1999

Romer, Paul. Thinking and feeling. AER, 200? (short; a prominent growth theorist wrestles with formalizing emotion)


Hedonics


FHW

Diener, E. and E. Suh Culture and Subjective Well-being, MIT Press, 2000


Frank, R. Choosing the Right Pond: Human Behavior and the Quest for Status, Oxford, 1985

Seligman, M. Authentic Happiness, Free Press, 2002


Remembrance biases: Problems remembering previous hedonic experiences

Kahneman, D. et. al.(1993) “When more pain is preferred to less: Adding a better end,” Psychological Science, 4:401-5


Projection biases: Problems forecasting future hedonics


Theory


Memory


7. Applications

Public finance

A. Public goods provision


Experimental Evidence

Ledyard, J., HEE, chapter 2


Field Evidence


New Theories


B. Savings

Evidence:


Lusardi, A. et. al. (2001) “Saving Puzzles and Saving Policies in the United States,” NBER wp 8237


Theory:


Pinheiro, Marcelo. Loyalty, peer group effects, and 401k. Princeton working paper. http://home.uchicago.edu/~marcelo/401k.pdf (exploring implications of loyalty and optimism to explain why workers hold “too much” 401k assets in the stock of companies they work for)