

Suggested readings - Behavioral reading group.

The following are papers we would like to read and discuss. The starred ones are those that we consider more relevant (for our own work).

Non Standard decision making

1- Limited attention - rational inattention - bounded rationality

*Gabaix, X. and Laibson, D. (2006) Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets, *Quarterly Journal of Economics*, 121 (2), 505-540.

Gabaix, X. (2011). A Sparsity-Based Model of Bounded Rationality. Retrieved from <http://www.nber.org/papers/w16911>

*Woodford, M. (2012). Inattentive Valuation and Reference-Dependent Choice. *Thinking*, (1979). Retrieved from http://www.economics.harvard.edu/app/webroot/files/faculty/37_InattentiveValueHarvardSeminar.pdf

*Camerer, C., & Ho, T. (2004). A Cognitive Hierarchy Model of Games. *Quarterly Journal of Economics*, 119(3), 861-898. Retrieved from <http://www.mitpressjournals.org/doi/pdf/10.1162/0033553041502225>

Crawford, V., & Iriberri, N. (2007). Level-k Auctions: Can a Nonequilibrium Model of Strategic Thinking Explain the Winner's Curse and Overbidding in Private-Value Auctions? *Econometrica*, 75(6), 1721–1770. Wiley Online Library. Retrieved from <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0262.2007.00810.x/abstract>

2- Non Standard Preferences and Discounting

*Kahneman, D., Knetsch, J. L., & Thaler, R. H. (2009). Experimental Tests of the Endowment Effect and the Coase Theorem.

*Conlin, Michael, Ted O'Donoghue, and Timothy J. Vogelsang. Forthcoming. "Projection Bias in Catalog Orders." *American Economic Review*.

*Frederick, S., Loewenstein, G. and O'Donoghue, T. (2002). Time Discounting and Time Preference A Critical Review. *Journal of Economic Literature*. 40(2), 351-401.

*Laibson, David (1997) "Golden Eggs and Hyperbolic Discounting." *Quarterly Journal of Economics*, 112, 443-478.

Della Vigna, S., Contract Design and Self-Control: Theory and Evidence, with Ulrike Malmendier, *Quarterly Journal of Economics*, 119, May 2004, pp.353-402.

Charness, Gary and Uri Gneezy. "Incentives To Exercise" *Econometrica*, Volume 77, Issue 3, pages 909–931, May 2009
<http://management.ucsd.edu/faculty/directory/gneezy/docs/incentives-exercise.pdf>

Ariely, Dan and Wertenbroch, Klaus (2002), "Procrastination, Deadlines, and Performance: Self-Control by Precommitment, *Psychological Science*, 13 (May), 219-224.

Samuel M. McClure, David Laibson, George Loewenstein and Jonathan D. Cohen. "Separate Neural Systems Value Immediate and Delayed Monetary Rewards." *Science* 306, October 15 2004.

3- Reference Dependence - Loss Aversion

*Kahneman, Daniel, and Amos Tversky (1979) "Prospect Theory: An Analysis of Decision under Risk", *Econometrica*, XLVII (1979), 263-291. Paper available at http://www.princeton.edu/~kahneman/docs/Publications/prospect_theory.pdf

*Camerer C. (2000) "Prospect Theory in the Wild: Evidence from the Field," chap. 16 in D. Kahneman and A. Tversky, eds., *Choices, Values, and Frames*, Cambridge: University Press.

List, John, Steven Levitt, and David Lucking. 2010. "What Happens in the Lab Stays in the Lab" *Econometrica*, Volume 78(4), pages 1413–1434.

*List, John A. 2003. "Does Market Experience Eliminate Market Anomalies?" *Quarterly Journal of Economics*, 118(1): 41-71.

Plott, Charlie R., and Zeiler, Kathryn. 2005 "The Willingness to Pay/Willingness to Accept Gap, the "Endowment Effect," Subject Misconceptions and Experimental Procedures for Eliciting Valuations", *American Economic Review*, 95: 530-545.

*Koszegi, B., & Rabin, M. (2006). A model of reference-dependent preferences. *The Quarterly Journal of Economics*, 121(4), 1133. Oxford University Press. Retrieved from <http://qje.oxfordjournals.org/content/121/4/1133.short>

*Koszegi, B., & Rabin, M. (2007). Reference-dependent risk attitudes. *The American Economic Review*. Retrieved from <http://www.ingentaconnect.com/content/aea/aer/2007/00000097/00000004/art00001>

*Novemsky, N., & Kahneman, D. (2005). The boundaries of loss aversion. *Journal of Marketing Research*, 42(2), 119–128. JSTOR. Retrieved from <http://www.jstor.org/stable/10.2307/30164009>

Shalev, J. (2000). Loss aversion equilibrium. *International Journal of Game Theory*, 29(2), 269–287. Springer. Retrieved from <http://www.springerlink.com/index/C0MQPHKE2G6KKJRU.pdf>

4-Preferences and pro-social behavior

*Fehr, Kirchsteiger, and Riedl. 1993. "Does Fairness Prevent Market Clearing? An Experimental Investigation" *Quarterly Journal of Economics*, 108, pp. 437-459.

* Bandiera, Oriana, Iwan Barankay and Imran Rasul. 2005. "Social Preferences and the Response to Incentives: Evidence from Personnel Data." *Quarterly Journal of Economics*, 120(3): 917--962.

*Ro BÉNABOU and JEAN TIROLE, "Incentives and Prosocial Behavior", *American Economic Review*, vol.

96, n. 5, 2006, p. 1652-1678.

Non Standard Beliefs

1-Overconfidence

*Camerer, C. and Lovallo, D. (1999) "Overconfidence and Excess Entry: An Experimental Approach," *American Economic Review*, 89, 306-18.

Hoelzl, E. and Rustichini, A. (2005) "Overconfident: Do you put your money on it?", *The Economic Journal*, Vol. 115, No. 503, pp. 305-318, April.

Malmendier, Ulrike; Moretti, Enrico, and Florian Peters. "Winning by Losing." Working Paper.

2-Hedonic Forecasting and Emotional Agency

*Gilbert, D.T., Pinel, E.C., Wilson, T.D., Blumberg, S.J., and Wheatley, T.P. (1998). "Immune Neglect: A Source of Durability Bias in Affective Forecasting," *Journal of Personality and Social Psychology*, 75, 617-638.

Iyengar, S. and Kamenica, E. (2007) "Choice Overload and Simplicity Seeking", Columbia University mimeo.

*Koszegi B, "Emotional Agency," *Quarterly Journal of Economics* 121 (1): 121-155 February 2006

3- Confusion and Persuasion

*Shue, Kelly and Erzo Luttmer. 2007. "Who Misvotes? The Effect of Differential Cognition Costs on Election Outcomes," NBER Working Paper No. 12709.

*DellaVigna, Stefano and Kaplan, Ethan. 2007. "The Fox News Effect: Media Bias and Voting", *Quarterly Journal of Economics*.

Market response to biases

*Ellison, Glenn. 2006. "Bounded Rationality in Industrial Organization" in Blundell, Newey and Persson (eds.), *Advances in Economics and Econometrics: Theory and Applications*, Ninth World Congress, Cambridge University Press.

*DellaVigna, Stefano and Ulrike Malmendier. 2004. "Contract Design and Self-Control: Theory and Evidence." *Quarterly Journal of Economics*, 119: 353-402.

Barberis, Nicholas and Richard Thaler. 2003. "A Survey of Behavioral Finance." *Handbook of the Economics of Finance*.

Eisensee, Thomas and David Strömberg. 2007. "News Floods, News Droughts, and U.S. Disaster Relief" *Quarterly Journal of Economics*.

*Barberis, N., Huang, M., & Thaler, R. H. (2006). Individual Preferences, Monetary Gambles, and Stock Market Participation: A Case for Narrow Framing. *American Economic Review*, 1069-1090.

*Kahneman, D., Knetsch, J. and R. Thaler, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *Choice Values Frames*. Chapter 18