

ECO331: Behavioural & Experimental Economics

Winter 2025

Alaina Olson

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1 The Big Picture

Section L5101 Monday, 5:00-8:00pm in MS2172

1.1 Course Contacts

Instructor	Alaina Olson
Email	alaina.olson@mail.utoronto.ca
Office Hours	Wednesday, 2:00-3:00pm via Zoom. See Quercus for details.
Teaching Assistants	Hugo Hsieh (hugo.hsieh@mail.utoronto.ca) Jackson Woloschuk (jackson.woloschuk@mail.utoronto.ca)

1.2 Course Materials

- MobLab: There is a \$15 (USD) cost to register for the term. Sign-up instructions are posted on Quercus.
- Articles, handouts and other materials: Available on Quercus.

1.3 Marking Scheme

	Date	Length	Weight
In-class Assignments	Weekly	N/A	12%
Writing for the Week	Weekly	N/A	12.5%
Term Test	February 10	< 2 hours	25%
Term Paper	See below	N/A	25%
Final Exam	TBA	2 hours	25.5%

2 Accommodations & Resources

2.1 Accessibility Accommodations

The University provides academic accommodations for students with disabilities in accordance with the Ontario Human Rights Code. This occurs through a collaborative process that acknowledges a collective obligation to develop an accessible learning environment that both meets the needs of students and preserves the essential academic requirements of the university's courses and programs. Students with diverse learning styles and needs are welcome in this course. If you have a disability that may require accommodations, the first step is to contact Accessibility Services.

2.2 Religious Accommodations

The University provides reasonable accommodation of the needs of students who observe religious holy days other than those already accommodated by ordinary scheduling and statutory holidays. Students have a responsibility to alert members of the teaching staff in a timely fashion to upcoming religious observances and anticipated absences and instructors will make every reasonable effort to avoid scheduling tests, examinations or other compulsory activities at these times. Please reach out to me as early as possible to communicate any anticipated absences related to religious observances, and to discuss any possible related implications for course work.

2.3 Extenuating Circumstances

Students sometimes face situations outside of their control that may have a longer-term impact on their studies or may not fit neatly within the standard accommodations framework. If this applies to you at any point during the term, please feel free to reach out to me and/or an advisor in the College Registrar's office. In particular, this advisor can help you decide which form(s) of academic consideration best fit your situation. They may also be able to provide a letter of support and/or put you in touch with relevant resources on campus.

2.4 Family Care Responsibilities

The University of Toronto strives to provide a family-friendly environment. You may wish to inform me if you are a student with family responsibilities. If you are a student parent or have family responsibilities, you also may wish to visit the Family Care Office website.

2.5 Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

3 Academic Integrity

All suspected cases of academic dishonesty will be investigated following procedures outlined in the Code of Behaviour on Academic Matters. If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, please reach out to me. Note that you are expected to seek out additional information on academic integrity from me or from other institutional resources (for example, the University of Toronto website on Academic Integrity).

3.1 Plagiarism

Plagiarism is a potentially serious problem in writing assignments. This course will use plagiarism-detection software. Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms

that apply to the University’s use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

3.2 Artificial-Intelligence Tools

Artificial Intelligence tools, including generative AI (e.g., ChatGPT) Generative AI – including, but not limited to, ChatGPT – are unauthorized for all assessments and assignments except the Term Paper. You may use artificial-intelligence tools, including generative AI, in this course as learning aids or to help prepare your Term Paper. If you choose to use artificial intelligence tools for your Term Paper:

- You are accountable for the work you submit.
- Any AI-generated content must be cited appropriately.
- Your use of these tools must be documented in an appendix. This appendix must include what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work. The appendix does not count towards any assignment word limit.
- You will also be required to upload any and all transcripts from your interactions with the tools.

4 Course Overview

Traditional economic models make a number of rather strong assumptions about human behaviour (for example, that people are always perfectly “rational”). However, actual human behaviour often deviates from these assumptions in systematic ways that have meaningful consequences for the predictions of the models that make them. Broadly speaking, behavioural economics studies such deviations and applies insights from other social science disciplines to help generate more realistic assumptions that better account for them. Experimental economics, on the other hand, is concerned with the use of controlled experiments to test the predictions of economic models.

In this course, we will focus on the intersection of behavioural and experimental economics. In particular, we will look at a selection of controlled experiments that aim to reveal and characterize some of the ways in which behaviour departs from classical economic assumptions.¹

4.1 Learning Outcomes

The goals for this course can be grouped into three broad categories.

1. **Behavioural economics:** Understand a set of insights from behavioural economics with an eye towards recognizing how these insights improve the economist’s ability to explain and predict real-world behaviour.
2. **Experimental economics:** Understand the methods of modern experimental economics with an eye to assessing the results of human-subject experiments.
3. **You as an economist:** Continue your intellectual transition from “consumers of” to “participants in” economic inquiry. In particular, you will gain practice in both posing testable hypotheses that follow-up on published human-subject experiments and identifying how to test these hypotheses.

¹Although the list of topics we cover is by no means exhaustive.

5 Assessments

5.1 In-class Assignments

Starting in week 2, there will be assignments to complete during class. These assignments will include:

- **Writing Prompts** Writing prompts will be randomly assigned during class (i.e., may be beginning, middle or end). Responses will be marked very coarsely. The default marking scheme:
 - 4 marks** Student handed in something!
 - 8.5 marks** Response shows a general understanding of/engagement with the material.
 - 10 marks** Response shows a sophisticated understanding of the material.
- **Experiment Participation** In this course, you will participate in a series of classic experiments. You will generally participate using MobLab. In most cases, you earn full marks for sincere participation.

Each week, I take all of the marks you earn and scale them so that the student earning full marks earns 1.5%. The marks you earn for in-class assignments is the sum of your eight highest scoring weeks to a maximum of 12%.

5.2 Writing for the Week

There are two objectives for this assignment. The first is to give you practice with short, critical writing. The second is to provide incentives to critically engage with the week's readings before lecture. For (almost) every course topic, there is the possibility to submit a Writing for the Week assignment covering required reading for the topic.

- The writing prompt for the week will be posted on Quercus.
- Your submission should be two paragraphs, no more than 325 words.
- Submissions must be received by Monday, 4:30 pm. Late submissions will not be accepted.
- You may make at most one submission per week.
- The predicted marking scheme.
 - 0.75%** Student handed in something!
 - 1.5%** The student appears to have read the paper.
 - 2.125%** Solid effort; demonstrates good understanding of the article's factual elements.
 - 2.5%** Great effort; advanced understanding of subtle study details/implications.

The mark you earn for this assignment is the sum of your five highest scores among your first six submissions, up to a maximum of 12.5%. Any submission after your first six is not considered.

5.3 Term Paper

While full details regarding the Term Paper will be provided later in the course, a general outline is listed here. The writing assignment will be a short essay of approximately 1,000 words (about four pages double-spaced) applying devices and results from this course to an assigned question. The assignment details will be available by the end of January. The assignment will be staged with two submissions and an intervening peer assessment.

- The First Submission is due Friday March 14, 2025, 11:00 AM.
- Students will then be assigned three classmates' papers to read and provide constructive feedback and suggestions (using a form/rubric that we provide).
- The deadline for providing this "Peer Assessment" is Friday, March 21, 2025, 11:00 AM.
- Students will then have until Friday, March 28, 2025 at 11:00 AM to submit the "Final Submission" that incorporates any useful suggestions or insights from the peer review process. Included in this submission will be a short reflection on the peer reviews received, as well as an explanation of any other revisions made between the first and final submissions.
- The weights for final grade for the Term Paper will be:
 - 30%** First Submission;
 - 20%** Peer Assessments provided for other papers;
 - 40%** Final Submission; and
 - 10%** Reflection Piece, a "self-assessment" of the revisions to the first draft.
- **Note:** Other students' assessments of your First Submission do not count toward your Term Paper grade.

5.3.1 Extensions

In general,² no extensions will be granted due to illness, computer problems, or any other excuse, as ample time has been provided to complete the project.

5.3.2 Late Penalties

Late penalties, incorporating the fact that late First Submissions and Peer Assessments impose negative externalities on classmates, are as follows:

First Submission	5 percentage points for the first hour. 15 percentage points for each subsequent 24 hours.
Peer Assessments	5 percentage points for the first hour. 15 percentage points for each subsequent 24 hours.
Final Submission	5 percentage points for each 24 hours.

For example, consider a First Submission or Peer Assessment that earns 75% of available marks. You will receive a 70% marks if it is one second late and 55% if it is 25 hours and one second late.

5.4 Make-up Test

If you are unable to write the term test due to illness, injury or other reasons, you must let me know before the exam begins and provide acceptable documentation. Acceptable documentation includes:

- Absence declaration on ACORN
- Verification of Illness of Injury (VOI) Form
- College Registrar's letter; or

²Except for circumstances covered under section 2 of the syllabus.

- Letter of Academic Accommodation from Accessibility Services

If your documentation is an absence declaration via ACORN, you must have a copy sent to me when you complete the declaration. If your documentation is the UofT VOI Form, your licensed healthcare practitioner must assess the impact as either moderate, serious or severe; additionally, you must send me a copy of the VOI. If you get a concussion, break your hand, or suffer some other acute injury, you should register with Accessibility Services as soon as possible.

The format of the make-up test will be similar to that of the term test. Students who do not take either term test will be advised to drop the course. Students who miss the final exam must petition the Faculty of Arts and Science for permission to write a deferred examination.

5.5 Grading & Appeals

After reviewing your graded Term Paper or tests and the accompanying solutions, if you believe that there has been a major error in grading, you can request a regrade. A Regrade Request form will be available on Quercus one week after the assessment is returned, and the form will remain open for one week. You must provide a detailed explanation of the reasoning behind your request, and your request should specifically reference i) your paper and the grading rubric, or ii) your term test and the suggested solutions. Note that your entire paper or test will be regraded – this may cause your grade to increase, decrease, or stay the same.

6 Course Details

6.1 Quercus

Course content, including announcements, lecture slides and links to the required readings, handouts and assignments will be made available on Quercus. You are responsible for checking the platform regularly and keeping up with the material.

6.2 Crowdmark

This course will use Crowdmark, a collaborative online grading tool for marking and providing feedback on graded term assessments. Crowdmark provides efficiencies with grading, data recording, returning term assessments and handling regrade requests. Copies of student work marked in Crowdmark, including grading and feedback, will be available online to students for at least one year. Digital (i.e., online) copies will serve as the authoritative record for course administrative purposes, and paper copies of assessments scanned and uploaded to Crowdmark will be destroyed after the term has ended and final grades are approved. If you have questions about how your information is stored on Crowdmark, please contact me.

6.3 Communication

Regular updates and announcements will be made in class and posted on Quercus. Emails should be restricted to private matters or problems related to the course (e.g., broken links, typos, TA issues, etc.). Questions about course materials or content will only be addressed during class time or office hours. The TAs will also hold office hours to support students with their Term Papers; as such, requests for assistance with, or a review of, your paper should be restricted to the TAs' scheduled office hours.

Emails should:

- Be sent from your official University of Toronto email address;
- Include ECO331 in the subject line; and
- Include your student number.

I will do my best to respond to emails within 2 business days (Monday-Friday between 9:00am and 5:00pm). If you have asked for a reply and have not received one after 3 business days, please follow up either by email or in class/office hours.

6.4 Lectures

I expect that students will have done the required readings ahead of lectures. I will post any relevant lecture slides by 3:00pm on Monday afternoons each week – you may wish to print them out ahead of time or have them available on your tablet or laptop. The posted slides will contain an overview of the material that we will cover for the week, but some details may be missing. Any missing details will be filled in on the relevant slides during the lecture, but please note that I will **not** post the edited slides after class.

7 Tentative Course Schedule

The following outline is tentative, and it may change as the term progresses. In the event of a change, I will make an announcement beforehand. Entries preceded by a * are suggested, but not required.

1. Introduction (January 6)

- Thaler, Richard H., “From Homo Economicus to Homo Sapiens,” *Journal of Economic Perspectives*, Winter 2000, 14 (1), 133–141.

2. Experiment Design; Internal & External Validity (January 13)

- Gazzale, Robert, Sarah Jacobson, and Sera Linardi, *Experiment Nuts and Bolts*, 2018.
- Gneezy, Uri, Muriel Niederle, and Aldo Rustichini, “Performance in Competitive Environments: Gender Differences,” *Quarterly Journal of Economics*, August 2003, 118 (3), 1049–1074.
- *Friedman, Daniel and Shyam Sunder, *Experimental Methods: A Primer for Economists*, Cambridge University Press, 1994, pp. 1–84.

3. A Failure to Optimize I: A Smorgasbord (January 20)

- Kahneman, Daniel, *Thinking, Fast and Slow*, Farrar, Straus and Giroux, 2011, chapters 1–3, pp. 19–49.
- Iyengar, Sheena S. and Mark R. Lepper, “When Choice is Demotivating: Can One Desire Too Much of a Good Thing,” *Journal of Personality and Social Psychology*, 2000, 79 (6), 995–1006.

- Danziger, Shai, Jonathan Levav, and Liora Avnaim-Pesso, “Extraneous factors in judicial decisions,” *Proceedings of the National Academy of Sciences*, 2011, 108 (17), 6889–6892.
 - Mani, Anandi, Sendhil Mullainathan, Eldar Shafir and Jiaying Zhao, “Poverty Impedes Cognitive Function,” *Science*, August 30, 2013, 341 (6149), 976–980.
4. **A Failure to Optimize II: People & Probabilities (January 27)**
- Barberis, Nicholas, Andrei Schleifer, and Robert Vishny, “A Model of Investor Sentiment,” *Journal of Financial Economics*, 1998, 49 (3), 307–343.
 - Tversky, Amos and Daniel Kahneman, “Judgement under Uncertainty: Heuristics and Biases,” *Science*, 1974, 185 (4157), 1124–1131.
5. **Prospect Theory & the Endowment Effect (February 3)**
- Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler, “Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias,” *Journal of Economic Perspectives*, Winter 1991, 5 (1), 193–206.
 - Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler, “Experimental Tests of the Endowment Effect and the Coase Theorem,” *Journal of Political Economy*, December 1990, 98 (6), 1325–1348.
 - *Kahneman, Daniel and Amos Tversky, “Prospect Theory: An Analysis of Decision under Risk,” *Econometrica*, March 1979, 47 (2), 263–292.
6. **Term Test (February 10)**
7. **More Framing (February 24)**
- Thaler, Richard H., “Mental Accounting Matters,” *Journal of Behavioral Decision Making*, 1999, 12 (3), 183–206.
 - Fehr, Ernst and Lorenz Goette, “Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment,” *The American Economic Review*, 2007, 97 (1), 298–317.
 - Benartzi, Shlomo and Richard H. Thaler, “Myopic Loss Aversion and the Equity Premium Puzzle,” *The Quarterly Journal of Economics*, February 1995, 110 (1), 73–92.
8. **Term Paper Tutorials (March 3)** Details forthcoming.
9. **Stable & Well Defined Preferences (March 10)**
- Kahneman, Daniel, Peter P. Wakker, and Rakesh Sarin, “Back to Bentham? Explorations of Experienced Utility,” *Quarterly Journal of Economics*, May 1997, 112 (2), 375–405.
 - Ariely, Dan, George Loewenstein, and Drazen Prelec, “Coherent Arbitrariness: Stable Demand Curves Without Stable Preferences,” *Quarterly Journal of Economics*, February 2003, 118 (1), 73–105.
 - *Gilbert, Daniel T., Elizabeth C. Pinel, Timothy D. Wilson, Stephen J. Blumberg, and Thalia P. Wheatley, “Immune neglect: A source of durability bias in affective forecasting,” *Journal of Personality and Social Psychology*, 1998, 75 (3), 617–638.

10. Present Bias & Bounded Self Control (March 17)

- Gazzale, Robert, *Discounting for Dummies*, 2017.
- Ashraf, Nava, Dean Karlan, and Wesley Yin, “Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines,” *Quarterly Journal of Economics*, May 2006, 121 (2), 635–672.
- DellaVigna, Stefano and Ulrike Malmendier, “Paying Not to Go to the Gym,” *American Economic Review*, June 2006, 96 (3), 694–719.
- *O’Donoghue, Ted and Rabin, M. (1999). Doing It Now or Later. *American Economic Review*, 89(1), 103-124.

11. Other-regarding Preferences (March 24)

- Hoffman, Elizabeth, Kevin A. McCabe, and Vernon L. Smith, “Social Distance and Other-Regarding Behavior in Dictator Games,” *The American Economic Review*, June 1996, 86 (3), 653–660.
- Fehr, Ernst and Simon Gächter, “Cooperation and Punishment in Public Goods Experiments,” *The American Economic Review*, September 2000, 90 (4), 980–994.
- Gneezy, Uri and Aldo Rustichini, “A Fine Is a Price,” *Journal of Legal Studies*, January 2000, 29 (1), 1–17.
- Gneezy, Uri and Aldo Rustichini, “Pay Enough or Don’t Pay at All,” *Quarterly Journal of Economics*, August 2000, 115 (3), 791–810.
- Gneezy, Uri and John A. List, “Putting Behavioral Economics to Work: Testing for Gift Exchange in Labor Markets Using Field Experiments,” *Econometrica*, 2006, 74 (5), 1365–1384.
- *Akerlof, George A. and Rachel E. Kranton, “Identity and the Economics of Organizations,” *Journal of Economic Perspectives*, Winter 2005, 19 (1), 9–32.

12. Interpreting Experiments; Paternalism (March 31)

- List, John A., “Does Market Experience Eliminate Market Anomalies?,” *Quarterly Journal of Economics*, February 2003, 118 (1), 41–71.
- List, John A., “On the Interpretation of Giving in Dictator Games,” *The Journal of Political Economy*, June 2007, 115 (3), 482–493.
- Sunstein, Cass R. and Richard H. Thaler, “Libertarian Paternalism Is Not An Oxymoron,” *University of Chicago Law Review*, 2003, 70(4), 1159–1202.
- Whitman, Glen, “The Rise of the New Paternalism,” *Cato Unbound*, April 2010, available at <http://www.cato-unbound.org/2010/04/05/glen-whitman/rise-new-paternalism>.
- Loewenstein, George and Ubel, Peter, “Economics Behaving Badly,” *The New York Times*, July 14, 2010.