Irrationality in the US Economy

Week | Date | Assignment
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1 | 8/29 | Introduction

2 | 9/5 | Labor Day

3 | 9/12 | Heuristics, biases, and consumers

Paper #1 is due in class at the start of class. Everyone is required to write a paper for September 12.

4 | 9/19 | Framing
Thomas K. McCraw, *Prophets of Regulation*, 222-26, 239-56; available on Blackboard.

Revised first paper is due in class at the start of class.

5 | 9/26 | Public Policy

Two papers are due by week 5.
6 10/3 Social Norms and Market Norms: a case study of welfare capitalism

7 10/10 Affect Heuristic and Marketing
To find the two law review articles, follow instructions under item 19.
VW advertisements, available on Blackboard.

8 10/17 Dysfunctional Corporations: the case of railroads
Alfred Chandler, *The Visible Hand*, 1-12; available on Blackboard.

Three papers are due by week 8.

9 10/24 Expectations; stereotypes; discrimination
Poundstone, *Priceless*, selected pages; available on Blackboard.

Four papers are due by week 9.
10 10/31 Management Decisions
Paul Ingrassia, *Crash Course: The American Automobile’s Road from Glory to Disaster*, chapters 5-6, 10-12.

11 11/7 Fairness
William Poundstone, *Priceless*, selected pages; available on Blackboard.

12 11/14 Bubbles
Watch Nova PBS program *Mind over Money*: To locate, google Nova and “Mind over Money”

Five papers are due by week 12.

13 11/21 Corporate Fraud
Dan Ariely, *Predictably Irrational*, chapters 13 and 14;

Rewritten papers are due by week 13.
14  11/28 Behavioral Economics; semester wrap-up


Daniel Kahneman autobiography –

Paper 6 is due in class. Please note: This paper differs from your previous papers; see instructions under item 5.

Course requirements

1) Goals: This course explores the notion of irrationality in the U.S. economy. Irrationality is most associated with a new field in economics called behavioral economics. Behavioral economists have employed concepts from psychology to study offbeat topics in economics, such as marketing, fairness, corporate fraud, financial bubbles, stereotypes, and social norms as compared to market norms. As a history course, students will read materials that introduce the economists’ studies but also include historians’ treatment of subjects as well. Students are encouraged to compare the scholarship of historians and economists.

2) As a seminar, this course depends on your efforts to read the assignments carefully. For each week, please complete all assigned pages by the start of class.

3) Grades: You are required to write six short (three-page) essays. Each essay counts for 11 percent of your final grade, or a total of 66% of your final grade. Class participation counts for 34% of your final grade. You are required to attend class and take part in discussions. Final grades will include plus and minuses. Late papers will be penalized a full letter grade for each day that the paper is late.

4) Papers: All students will write six essays and each essay will be three pages in length (double spaced). *Papers are due for the particular week in which we discuss the assignment*. The papers are due at the start of class. For example, a paper about public policy and the book *Nudge* will be due on September 26 at the start of class. Please note that all students must write the first paper for September 12 and revise the paper for September 19. After the first paper, students are free to select the weeks in which they will write the next four essays subject to the constraint that they must complete essays by the weeks noted on the course schedule above. All students are required to write the sixth essay for the last week of class.

Your papers should be well written and well organized. The essays should provide a succinct statement of the author’s intentions or thesis or main argument. Then the essay should comment on or criticize the author’s study. Criticism can take many different forms. A student can criticize the author’s argument (disagree with the
author); find fault with the author’s use of sources; reflect on new insights or unintended consequences that follow from the author’s analysis. A student may also reflect on the book’s title or evaluate a key concept, such as anchoring, that the author uses in framing his or her study. As we read more books, you may also write essays comparing a current author’s work with a previous reading assignment. (You are only permitted to write about a previous reading for a current week on the condition that you compare the previous reading to the current reading. For example, you cannot write about the book, *Nudge*, for week 8 unless you compare *Nudge* to the assigned readings for week 8.)

It is important to keep in mind that I am not looking for a summary of the book. Any summary should be kept to a few sentences. I am interested in your critical view of the assigned material.

You should title your paper. It is okay to print double-sided. Please staple the pages. Margins should be one-inch. Please use 12-point font. The paper should be double-spaced. Papers are due at the start of class. Papers will be penalized for failure to follow these guidelines.

Students sometimes write a paper about the short assignments. This is okay, but I would like most of your essays to focus on the longer assignments from the individual books.

You are not permitted to conduct personal interviews for your papers.

You are not permitted to write papers solely based on Dan Ariely's *Predictably Irrational*. Students are permitted to compare Ariely to another author, but they are not allowed to write only on their reaction to Ariely.

5) Instructions for Paper 6, due November 28. This paper will be 3 pages in length and double-spaced. You are asked to review material covered in the semester and propose either 1) a historical project to undertake based on concepts grounded in behavioral economics; or 2) an experiment to test a question or objection you have had with some aspect of behavioral economics. Your paper should introduce a particular topic for investigation; it should review a scholarly debate; and it should suggest how this debate could be examined in more detail either through historical research or through an experiment.

6) Rewrites: Students may rewrite one of their first four papers. The rewritten paper is due by November 21 in class. You may turn in a rewritten essay well in advance of this deadline and I encourage you to rewrite a paper soon after the first version is returned to you. If a student rewrites a paper, then the grade for the revised essay will replace the original grade. Please note: students are not permitted to delay writing a paper and turn it in as a rewritten essay.

7) Class participation: Students are required to attend class and to participate in discussions. Class discussion counts for 34 percent of each student’s final grade. Please note: Failure to attend class will result in a grade of 0 (F) for that particular week. I am serious about this penalty. Missing class can quickly lower your class participation grade and your final grade.
To encourage class participation, I require that all students email me by 2 pm on the day of class with one or two questions about the assigned readings for each week of the semester. My email address is sclarke@austin.utexas.edu. We will address some or all of the questions during our class discussions. In addition, you may also highlight a particular passage in a book that caught your attention.

Students often ask how class discussion grades are assigned. Simply coming to class is not sufficient to earn a high mark. Part of the grade will be based on the questions you submit. A critical part of the grade is your active participation in terms of thoughtful comments that probe the assigned readings. (I am not looking for random comments about current issues, but rather comments that focus on the assigned readings. Those comments may reflect on current events but they must demonstrate a careful understanding of the readings.)

8) Students are responsible for all material covered in class, including any changes made to the syllabus during class.

9) To pass the course, students must complete all six essays.

10) Some articles and chapters may be available through Blackboard. If you are unfamiliar with Blackboard, contact the IT Helpdesk at 475 9400.

11) Required books will be available on PCL reserves, as noted, and also at the University Coop. In case you want to buy your books through a different vendor, here are the titles and related information.

Max Bazerman, Judgment in Managerial Decision Making, 7th edition CN: HD 30.23 B38 2009
David Kessler, The End of Overeating CN: QP 141 K48 2009
Barbara Welke, Recasting American Liberty CN: HE 2757 W45 2001
Paul Ingrassia, Crash Course: The American Automobile’s Road from Glory to Disaster, 2010. CN: HD 9710 U52 I55 2010

12) Please turn off all electronic devices in class, including cell phones and laptops. I don't mean set your cell phone to vibrate. It is important to turn the cell phones off so that there isn't that distraction. We will take a break about half way through the class so you can check your cell phones then. Also, please do not leave class and return during the middle of discussions.

13) Late papers will be penalized a full letter grade for each day that they are late. Simply forgetting to turn in a paper is not a viable excuse. Any medical excuse requires a detailed letter from your doctor.

14) Students with disabilities may need special accommodations. Please see me early in the semester if you require accommodations. You may also contact the Division of Diversity and Community engagement, Services for Students with Disabilities, 471-6259, or at http://www.utexas.edu/diversity/ddce/ssd/

15) No prior courses in History or other subjects are required for this course.

16) The UT policy regarding religious holidays permits students to be absent from class on holy days. Should you be absent because of a religious holy day and should this day fall on a date that a paper is due, please notify me 14 days in advance of your absence. You then will be allowed to turn in the assignment at another time.

17) The Undergraduate Writing Center, located in FAC, is open to students. You are encouraged to have the staff at this center review drafts of your papers.

18) Citations for Papers. Students must provide complete citations for information in their papers. If you quote an author, you need to cite the article or book and give the page or pages for the quotation. *Or, if you refer to a general argument or idea developed by an author, you still need to cite the author.*

For the assigned readings on this syllabus, you may use an abbreviated method of citation. At the end of the sentence, you will need to give the author’s last name and the page or range of pages for the information. For example: (Tversky and Kahneman, 12-14).

If you cite a source not on the syllabus, then you need to provide a complete footnote, including the author’s first and last names, the title of the book, the place of publication, the publisher, the date of publication and the range of pages cited. If the outside source is an article, then you need to cite the author’s first and last names, the title of the article, the journal’s title, the date, and the range of pages. If you visit a web
site, then you must provide a footnote with the author and the title of the publication as well as the complete URL and the date that you visited the site.

You are not permitted to conduct personal interviews for your papers.

Be careful in citing book titles. They should be underlined or italicized. Chapter titles should be set off in quotation marks.

19) To locate the law review articles, you will want to visit the LexisNexis web site. Go to the library’s homepage, www.lib.utexas.edu. Then under “Research Tools,” select “Find Articles Using Databases.” There is an alphabetical listing and you want to select L and then select LexisNexis Academic. With the LexisNexis homepage open, look on the left side of the page and select US Legal and then select Law Reviews. On the Law Reviews page, there will be a few boxes to fill in. In the blank box, write the title of the article: Taking Behavioralism Seriously and change the box that says “Everywhere” to title. In the next blank box write the name: Hanson and change the box that says “Everywhere” to author. Under Specific Date, choose “the date is between” and type for dates the years: 1/1/1998 and 1/1/2000. Then click the search button. The articles will appear on the screen. Click on the article title and in the upper right corner you will find a print icon.

20) To access the article by Daniel Kahneman, Jack Knetsch, and Richard Thaler, follow these instructions. Go to the main library’s homepage, www.lib.utexas.edu. Under Research Tools, select “Find Articles Using Databases.” Look at the alphabetical listing and under “J” select JSTOR. Click Advanced Search. In the blank box, type the author’s name and next to this box change the text that reads “full text” to “author.” In the blank box, type: Kahneman. Next to the blank box, change “full-text” to “author.” Under “Item Type”: click article; under dates, type from: 1985 and to: 1987. Under Publication Title, type: American Economic Review. Then click the search button. One article will appear entitled “Fairness as a Constraint on Profit Seeking.” You can view it as a pdf file. At the top of the page on the left side is the print icon.

You will also use JSTOR to locate the last article: Richard Thaler, “Homo Economicus to Homo Sapiens,” Journal of Economic Perspectives 14 (Winter 2000): 133-141. Follow the instructions noted above, but for author type: Thaler; and for title, type: Homo Economicus; and for Publication Title, type Journal of Economic Perspectives.

21) The grade conversion for your final grades is as follows: 93-100 A; 90-92 A-; 87-89 B+; 83-86 B; 80-82 B-; 77-79 C+; 73-76 C; 70-72 C-; 67-69 D+; 63-66 D; 60-62 D-; Less than 60 F