

## MRes BEE: Non-standard preferences and policy implications

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| Course title – Intitulé du cours    | MRes BEE: Non-standard preferences and policy implications |
| Level / Semester – Niveau /semestre | 2021-22 S2   |
| School – Composante                 | Ecole d'Economie de Toulouse                               |
| Teacher – Enseignant responsable    | Ingela Alger   |
| Lecture Hours – Volume Horaire CM   | 15   |
| Course Language – Langue du cours   | English  |

### **Teaching staff contacts:**

Ingela Alger (T.479) [ingela.alger@tse-fr.eu](mailto:ingela.alger@tse-fr.eu)

Office hours by appointment

### **Course Objectives:**

The course is intended to stimulate some critical thinking about one fundamental building block of economic theory as it was developed in the 20<sup>th</sup> century---i.e., the assumption that individuals are essentially selfish hedonists. It will cover the theoretical and experimental literature on preferences governing behavior in interactions involving externalities, and explicit attention will be devoted to the policy implications of the findings in the literature.

### **Prerequisites :**

None beyond the M2 ETE core courses.

### **Practical information about the sessions:**

Students are expected to have read the assigned papers before class and actively participate in class discussions.

### **Grading system :**

Evaluation will be based on class participation (25% of the overall grade), one written research project outline (50% of the overall grade) and the oral presentation of the project (25% of the overall grade).

## **Bibliography/references :**

**Book:** *The Foundations of Behavioral Economic Analysis*, Sanjit Dhama, Oxford University Press.

### **1. Social interactions: altruism, fairness concerns, and reciprocity (3 hours, Ingela Alger)**

Fehr, E., and K. Schmidt (1999) "A theory of Fairness, Competition, and Cooperation," *Quarterly Journal of Economics*, 114, 817-868.

Charness, G., and M. Rabin (2002) "Understanding Social Preferences with Simple Tests," *Quarterly Journal of Economics*, 117, 817-869.

Levine, D. (1998) "Modelling Altruism and Spite in Experiments," *Review of Economic Dynamics*, 1, 593-622.

Bruhin, A., Fehr, E., & Schunk, D. (2018). The many Faces of Human Sociality: Uncovering the Distribution and Stability of Social Preferences. *Journal of the European Economic Association*, 0(0), 1–55. <https://doi.org/10.1093/jeea/jvy018>

Englmaier, F., & Wambach, A. (2010). *Games and Economic Behavior Optimal incentive contracts under inequity aversion* ☆. 69, 312–328. <https://doi.org/10.1016/j.geb.2009.12.007>

Alger, I. and J.W. Weibull (2010) "Kinship, Incentives and Evolution," *American Economic Review*, 100, 1725-1758.

### **2. Social interactions: warm glow, image concerns, moral concerns, conformity, lying aversion (4.5 hours, Ingela Alger)**

Andreoni, J. (1990) "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *Economic Journal*, 100, 464-477.

Bernheim, B.D. (1994) "A Theory of Conformity," *Journal of Political Economy*, 102:841--877.

Young, Peyton (1996). "The Economics of Convention," *Journal of Economic Perspectives* Vol. 10 (Spring), pp. 105-122.

Fershtman, C., & Weiss, Y. (1998). Social rewards , externalities and stable preferences. *Journal of Public Economics*, 70, 53–73.

Bénabou, R. and J. Tirole (2006) "Incentives and Prosocial Behavior," *American Economic Review*, 96, 1652-1678.

Brekke, K.-A., Kverndokk, S., & Nyborg, K. (2003). A n economic model of moral motivation. *Journal of Public Economics*, 87, 1967–1983. [https://doi.org/10.1016/S0047-2727\(01\)00222-5](https://doi.org/10.1016/S0047-2727(01)00222-5)

Alger, I. and J.W. Weibull (2013) "Homo Moralis---Preference Evolution under Incomplete Information and Assortative Matching," *Econometrica*, 81:2269-2302.

Akerlof, G. and R. Kranton (2000) "Economics and Identity," *Quarterly Journal of Economics*, 115, 715-753.

Alger, I., and J.W. Weibull (2017) "Strategic Behavior of Moralists and Altruists," *Games*, 8(3), 38.

Andreoni J. & Bernheim, D. (2009). Social image and the 50-50 norm: A theoretical and experimental analysis of audience effects. *Econometrica*, 77, 1607-1636.

Nagin, D. S., Rebitzer, J., Sanders, S., & Taylor, L. (2002). Monitoring , Motivation , and Management : The Determinants of Opportunistic Behavior in a Field Experiment. *American Economic Review*, 92(4), 850–873.

Gneezy, U. (2005). Deception: The Role of Consequences. *American Economic Review*, 95(1), 384–394. <https://doi.org/10.1257/0002828053828662>

Alger, I., & Renault, R. (2006). Screening ethics when honest agents care about fairness. *International Economic Review*, 47(1). <https://doi.org/10.1111/j.1468-2354.2006.00372.x>

Erat, S., & Gneezy, U. (2011). White Lies. *Management Science*, 1–11.

Gneezy, B. U., Kajackaite, A., & Sobel, J. (2018). Lying Aversion and the Size of the Lie †. *American Economic Review*, 108(2), 419–453.

### **3. Social interactions: extrinsic and intrinsic motivation (1.5 hours, Ingela Alger)**

Roland Bénabou, Jean Tirole, Intrinsic and Extrinsic Motivation, *The Review of Economic Studies*, Volume 70, Issue 3, July 2003, Pages 489–520.

Falk, A., & Kosfeld, M. (2006). The Hidden Costs of Control. *American Economic Review*, 96(5), 1611–1630.

Bowles, Samuel. 2016. *The Moral Economy: Why Good Incentives are no Substitute for Good Citizens*. New Haven: Yale University Press.

### **4. Social interactions: diversity and origins (3 hours, Ingela Alger)**

Bowles, S. (1998) "Endogenous Preferences: The Cultural Consequences of Markets and Other Economic Institutions," *Journal of Economic Literature*, 36, 75-111.

Falk, A., Becker, A., Dohmen, T., Enke, B., Huffman, D., & Sunde, U. (2018). Global evidence on economic preferences. *The Quarterly Journal of Economics*, 133(4), 1645-1692.

Becker, B. A., Enke, B., & Falk, A. (2020). Ancient Origins of the Global Variation in Economic Preferences †. *American Economic Review, Papers and Proceedings*, 110, 319–323.

#### **Session planning :**

Preferences governing behavior in social interactions: Ingela Alger (12 hours)

Project presentations (3 hours)

#### **Distance learning :**

If online, lectures will not be recorded.