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Syllabus

ECON196: Topics in Economic Research

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Overview

This course discusses recent research and policy developments. The core objective is to expose students to different aspects of research in economics and how it influences policy. The course is taught jointly by a number of faculty members in the Economics department. The course discusses developments in public finance, labor economics, game theory, experimental economics, behavioral economics, international economics and economic development. The course consists of 45 hours of lectures, 2 short papers (12-15 pages), and required weekly readings.

Administrative questions (about enrollment etc...) will be handled by the Economics Department (contact Juan Carlos Suarez Serrato, headgsi@econ.berkeley.edu).

Course Material

There is no required text for the course. Required reading material will be available through the course web site (accessible via Bspace at <http://bspace.berkeley.edu>, or the Econ department course list at <http://emlab.berkeley.edu/econ/chpr.shtml>).

You should check the web site fairly often for updates and additional material.

You will need Acrobat Reader to view some of the linked articles below. If you do not have Acrobat Reader installed on your computer, follow this link:
<http://www.adobe.com/products/acrobat/readstep.html>.

Evaluation

Each student will write two term papers (12-15 pages), each on a topic of their choice from the list below. Papers are due by **Thursday May 14, 2009 before 5pm**, in the mailbox of the course readers/tutors. We strongly encourage students to turn in their papers as early as possible.

Don't wait until the last week of the semester to write two 15 pages papers. You will not be able to do it and stay sane!

The tutors will be available with office hours to help you define, narrow and obtain feedback on your proposed term papers.

Readers/Tutors

Shari Eli (shari.econ196@gmail.com)
Biswo Poudel (bpoudel@berkeley.edu)

Learning Goals:

Each student, depending on their interests and approach, will hit a number of [learning goals](#), as set forth by the undergraduate Student Learning Initiative (USLI). For instance, some students might decide to write empirical papers that require use of data and use it appropriately (QT3-4, LL2) while other papers will be more theoretical and concentrate more on PS1-2. At the very least, through the writing assignment, students will get exposed to CS1-2, CT3-4, QT1-2.

Detailed Syllabus

A star (*) denotes required reading. The contents of the syllabus are likely to change as we go along. You are urged to check regularly on the course web page (available via Bspace: <http://bspace.berkeley.edu>)

Introduction: [Pierre-Olivier Gourinchas](#) (January 20)

Topic 1: Behavioral Economics

The Economics of the Media: A Behavioral Take; [Stefano Della Vigna](#) (January 27)

- *Stefano DellaVigna, "[Psychology and Economics: Evidence from the Field](#)", Journal of Economic Literature, June 2009. Background Reading.
- *Cain, Daylain, George Loewenstein, and Don Moore, "[The Dirt on Coming Clean: Perverse Effects of Disclosing Conflicts of Interest](#)," Journal of Legal Studies, XXXIV (2005), 1--25. Psychology reference on persuasion.
- *Stefano DellaVigna and Ethan Kaplan "[The Fox News Effect: Media Bias and Voting](#)", Quarterly Journal of Economics, August 2007, Vol. 122, pp. 1187-1234. The impact of the media: Persuasion.
- *Anderson, Craig, Leonard Berkowitz, Edward Donnerstein, L. Rowell Huesmann, James D. Johnson, Daniele Linz, Neil M. Malamut, and Ellen Wartella. "[The Influence of Media Violence on Youth](#)", Psychological Science in The Public Interest, 4 (2003), pp. 81-110; Psychology reference on emotions and media violence;
- *Gordon Dahl and Stefano DellaVigna "[Does Movie Violence Increase Violent Crime?](#)", Quarterly Journal of Economics, May 2009, Vol. 124; The impact of the media: Emotions.

Corporate Finance and Organizational Economics: A Behavioral Take; [Ulrike Malmendier](#) (February 03)

- *Baker, Malcolm, Richard Ruback and Jeffrey Wurgler. "[Behavioral Corporate Finance: A Survey](#)." In The Handbook of Corporate Finance: Empirical Corporate Finance, Espen Eckbo, ed. New York: Elsevier/North Holland, 2007
- *Camerer, Colin, and Ulrike Malmendier, [Behavioral Economics of Organizations](#). In: P. Diamond and H. Vartiainen (eds.), Behavioral Economics and Its Applications, Princeton University Press, March 2007
- *Malmendier, Ulrike and Geoff Tate, "[Superstar CEOs](#)", forthcoming QJE. Online [appendix](#).
- *Malmendier, Ulrike and Geoff Tate, "[Who Makes Acquisitions? CEO Overconfidence and the Market's Reaction](#)", Journal of Financial Economics, July 2008, vol. 89(1), pp. 20-43
- *Malmendier, Ulrike and Geoff Tate, "[CEO Overconfidence and Corporate Investment](#)", Journal of Finance, December 2005, vol. 60 (6), pp. 2661-2700
- additional material:
 - Malmendier, Ulrike and Geoff Tate, "[Corporate Financial Policies with Overconfident Managers](#)". November 2007. NBER Working Paper 13570

New Theories of Preferences: Evidence, Models, and Implications; [Matthew Rabin](#) (February 10)

- *Kahneman D, Knetsch J, and Thaler R, "[Fairness as a Constraint on Profit Seeking -- Entitlements in the Market](#)," AMERICAN ECONOMIC REVIEW, Volume: 76 Issue: 4 Pages: 728-741 Published: SEP 1986.
- *Charness G, Rabin M, "[Understanding social preferences with simple tests](#)" QUARTERLY JOURNAL OF ECONOMICS Volume: 117 Issue: 3 Pages: 817-869, Published: AUG 2002
- *Kahneman D, Knetsch J, and Thaler R, "[Anomalies: The Endowment Effect, Loss Aversion, and the Status-Quo Bias](#)," JOURNAL OF ECONOMIC PERSPECTIVES, Volume: 5 Issue: 1 Pages: 193-206 Published: WIN 1991
- *Koszegi B, Rabin M, "[A Model of Reference-Dependent Preferences](#)," QUARTERLY JOURNAL OF ECONOMICS Volume: 121 Issue: 4 Pages: 1133-1165 Published: NOV 2006
- *Rabin M, Thaler RH, "[Anomalies - Risk aversion](#)," JOURNAL OF ECONOMIC PERSPECTIVES Volume: 15 Issue: 1 Pages: 219-232 Published: WIN 2001
- *Koszegi B, Rabin M, "[Reference-dependent risk attitudes](#)" AMERICAN ECONOMIC REVIEW Volume: 97 Issue: 4 Pages: 1047-1073 Published: SEP 2007

Behavioral Economics and Public Policy; [Botond Koszegi](#) (February 17)

- *Badger, Gary J. & Bickel, Warren K. & Giordano, Louis A. & Jacobs, Eric A. & Loewenstein, George & Marsch, Lisa, 2007. "[Altered states: The impact of immediate craving on the valuation of current and future opioids](#)," Journal of Health Economics, Elsevier, vol. 26(5), pages 865-876, September
- *Richard H. Thaler & Shlomo Benartzi, 2004. "[Save More Tomorrow™: Using Behavioral Economics to Increase Employee Saving](#)," Journal of Political Economy, University of Chicago Press, vol. 112(S1), pages S164-S187, February
- *Gruber Jonathan and Botond Koszegi, "[A Modern Economic View of Taxation](#)", World Lung Foundation Report, 2008
- *Brigitte C. Madrian & Dennis F. Shea, 2001. "[THE POWER OF SUGGESTION: INERTIA IN 401\(K\) PARTICIPATION AND SAVINGS BEHAVIOR](#)," The Quarterly Journal of Economics, MIT Press, vol. 116(4), pages 1149-1187, November.

Topic 2: Experimental and Theoretical Economics

Social Learning, in Theory and Experiments; [Shachar Kariv](#) (February 24)

- *Anderson, L. and C. Holt (1997) "[Information Cascades in the Laboratory](#)." American Economic Review, 87(5), pp. 847-62.
- *Bikhchandani, S., D. Hirshleifer and I. Welch (1992) "[A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascade](#)." Journal of Political Economy, 100(5), pp. 992-1026.
- *Çelen, B. and S. Kariv (2004), "[Distinguishing Informational Cascades from Herd Behavior in the Laboratory](#)." American Economic Review, 94(3), pp. 484-497
- *Goeree, J., R. McKelvey, T. Palfrey, and B. Rogers (2007) "[Self-Correcting Information Cascades](#)." Review of Economic Studies, 74(3), pp. 733-762
- *Smith, L. and P. Sørensen (2000) "[Pathological Outcomes of Observational Learning](#)." Econometrica, 68, pp. 371-398

Risk, Uncertainty and Ambiguity; [Chris Shannon](#) (March 03)

- *Daniel Ellsberg, "[Risk, Ambiguity and the Savage Axioms](#)," Quarterly Journal of Economic, 75, pp 643-669, Nov. 1961
- *Mark Machina, "[Choice Under Uncertainty: Problems Solved and Unsolved](#)," Journal of Economic Perspectives, Summer 1987, pp. 121-154.

- *James Dow and Sergio Werlang, "[Uncertainty Aversion, Risk Aversion and the Optimal Choice of Portfolio](#)," *Econometrica*, vol 60 number 1, pp. 197-204, 1992
- *Larry Epstein, "[Sharing Ambiguity](#)," *American Economic Review*, 91(2):45–50, May. 2001
- *Luca Rigotti and Chris Shannon, "[Uncertainty and Risk in Financial Markets](#)," *Econometrica*, January 2005, 73(1), pp. 203-243.
- *Luca Rigotti, Tomasz Strzalecki and Chris Shannon, "Subjective [Beliefs and Ex-Ante Trade](#)," *Econometrica*, September 2008

Topic 3: Global Macroeconomics and Financial Crisis

Capital Flows, Bubbles, Financial Crashes and Global Imbalances; [Pierre-Olivier Gourinchas](#) (March 10)

- *Caballero, Farhi and Gourinchas, "[An Equilibrium Model of Global Imbalances and Low Interest Rates](#)", *American Economic Review*, march 2008
- *Caballero, Frahi and Gourinchas, "[Financial Crash, Commodity Prices and Global Imbalances](#)", *Brookings Papers on Economic Activity*, Fall 2008
- *Gourinchas and Rey, "[From World Banker to World Venture Capitalist: US External Adjustment and the Exorbitant Privilege](#)", in *G-7 Current Account Balances: Sustainability and Adjustment*, Richard Clarida ed., 2007
- *Gourinchas and Rey, "[International Financial Adjustment](#)", *Journal of Political Economy*, August 2007
- additional material:
 - Gourinchas and Jeanne, "[The Allocation Puzzle](#)", mimeo UC Berkeley, 2008

The Credit Crisis as Economic History; [Barry Eichengreen](#) (March 17)

- *Barry Eichengreen, "[Bad Credit History](#)," *Current History* (January 2009)
- *Charles Calomiris, "[The Subprime Turmoil: What's Old, What's New and What's Next?](#)", mimeo 2008.

The Credit Crisis and Economic Policy; [Brad DeLong](#) (March 31)

- *Charles Kindleberger, "*Manias, Panics, and Crashes: A History of Financial Crises*", Basic Books, 1989. available in the [Cal bookstore](#), also on reserve in [Moffitt](#) and [Long](#) libraries.
- *J. Bradford DeLong, "[The Financial Crisis of 2007: Causes, Consequences, and Possible Cures](#)", mimeo UC Berkeley 2008

Topic 4: Econometrics

Predictive Regressions; [Michael Jansson](#) (April 07)

- *TBA
- additional material:
 - TBA

Topic 5: Applied Microeconomics

Income Inequality and Redistributive Policies; [Emmanuel Saez](#) (April 14)

- *TBA

- additional material:
 - TBA

How Good Are U.S. Jobs? [Clair Brown](#) (April 21)

- *TBA
- additional material:
 - TBA

Real Wage Inequality; [Enrico Moretti](#) (April 28)

- *Moretti, Enrico, "[Real Wage Inequality](#)", mimeo UC Berkeley, September 2008.
- *Autor, David, Lawrence F. Katz and Alan B. Krueger, 1998. "[Computing Inequality: Have Computers Changed The Labor Market?](#)," The Quarterly Journal of Economics, MIT Press, vol. 113(4), pages 1169-1213, November
- *Basker, Emek "[Selling a Cheaper Mousetrap: Wal-Mart's Effect on Retail Prices](#)", Journal of Urban Economics, 2005
- *Gyourko, Joseph, Christopher Mayer, and Todd Sinai. "[Superstar Cities](#)", Mimeo, The Wharton School, Revised, June 2006
- *Katz L. and D. Autor "[Changes in the Wage Structure and Earnings Inequality](#)", Handbook of Labor Economics, Ashenfelter and Card, Eds, Elsevier (1999).

The Demand for Health; [Ted Miguel](#) (May 05)

- *Cohen, Jessica and Pascaline Dupas. (2008). "[Free distribution or cost-sharing? Evidence from a randomized malaria prevention experiment](#)", unpublished manuscript
- *Kremer, Michael, and Edward Miguel. (2007). "[The Illusion of Sustainability](#)", Quarterly Journal of Economics, 112(3), 1007-1065
- *Thornton, Rebecca. (2008). "[The Demand for, and Impact of, Learning HIV Status](#)", American Economic Review, 98(5), 1829-1863