

BEHAVIORAL ECONOMICS

Juan Carlos Munoz-Mora

Universidad EAFIT
2020

**LETS START REVIEWING
THE GRADES**

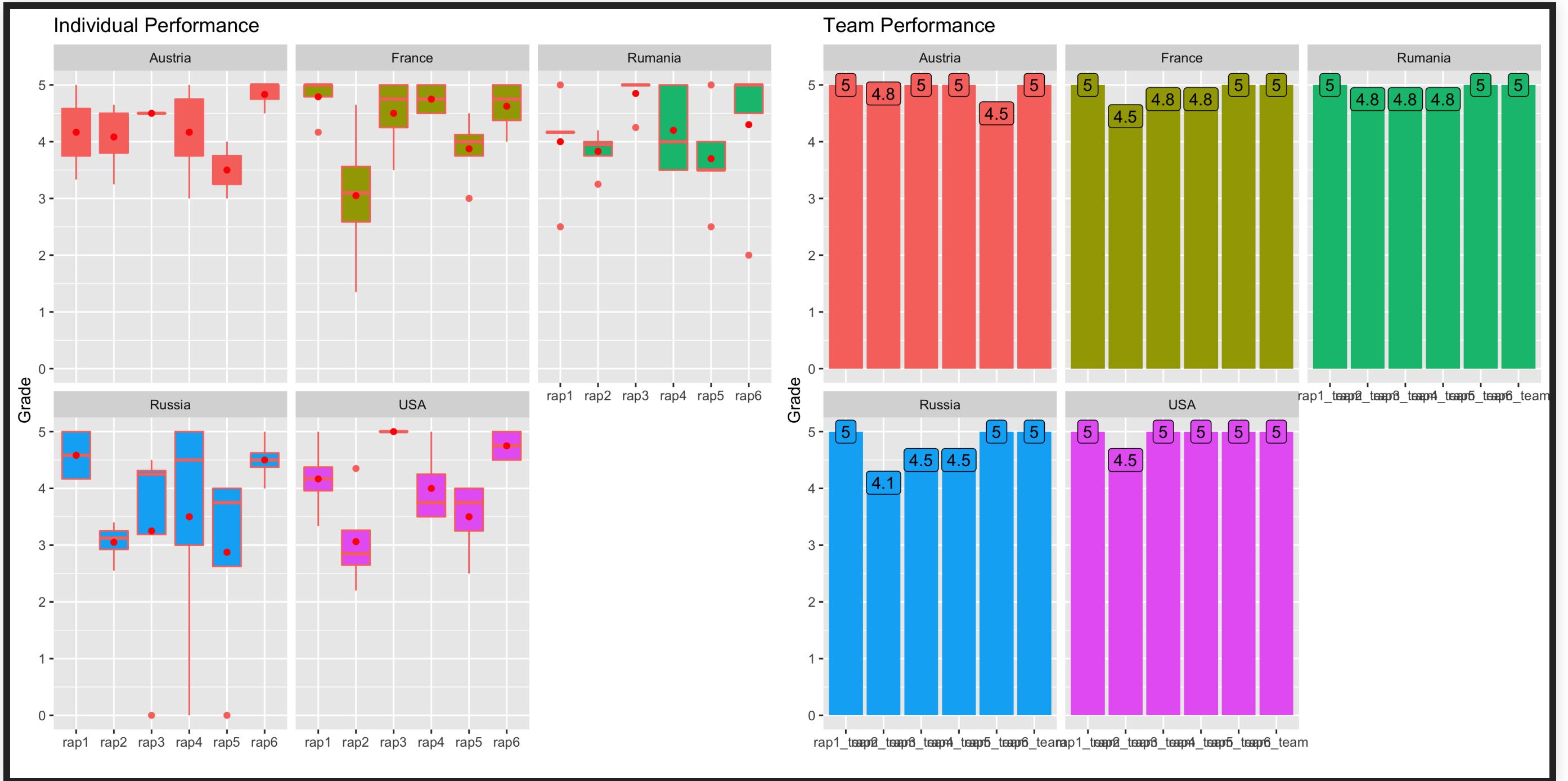
RECAP

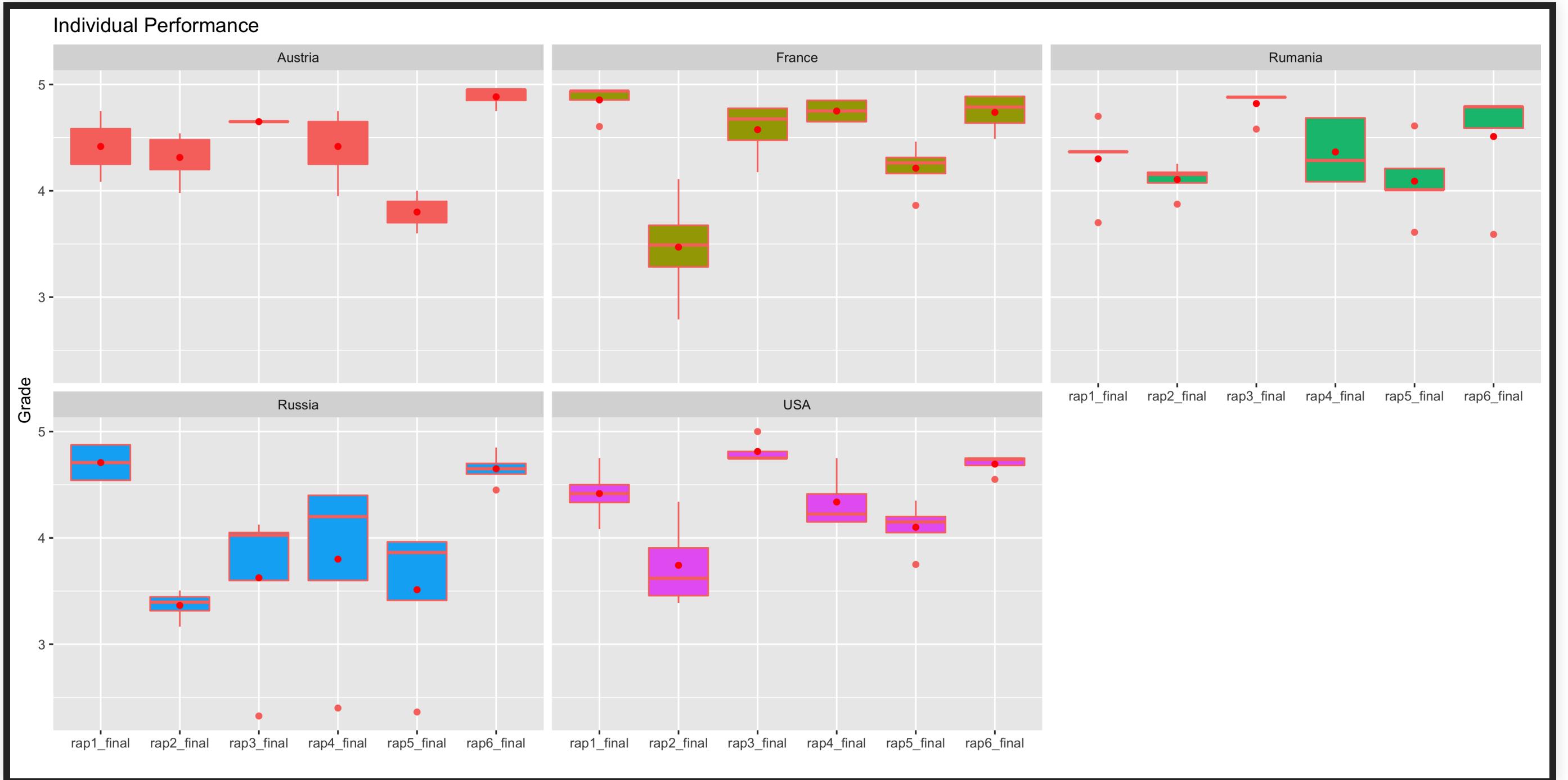
- RAPS (30%)
- ACC (30%)
- First Exam (20%)
- Second Exam (20%)

RAP 02 - RESULTS

SPANISH

0.4 Individual + 0.3 Average + 0.3 Team = Final grade

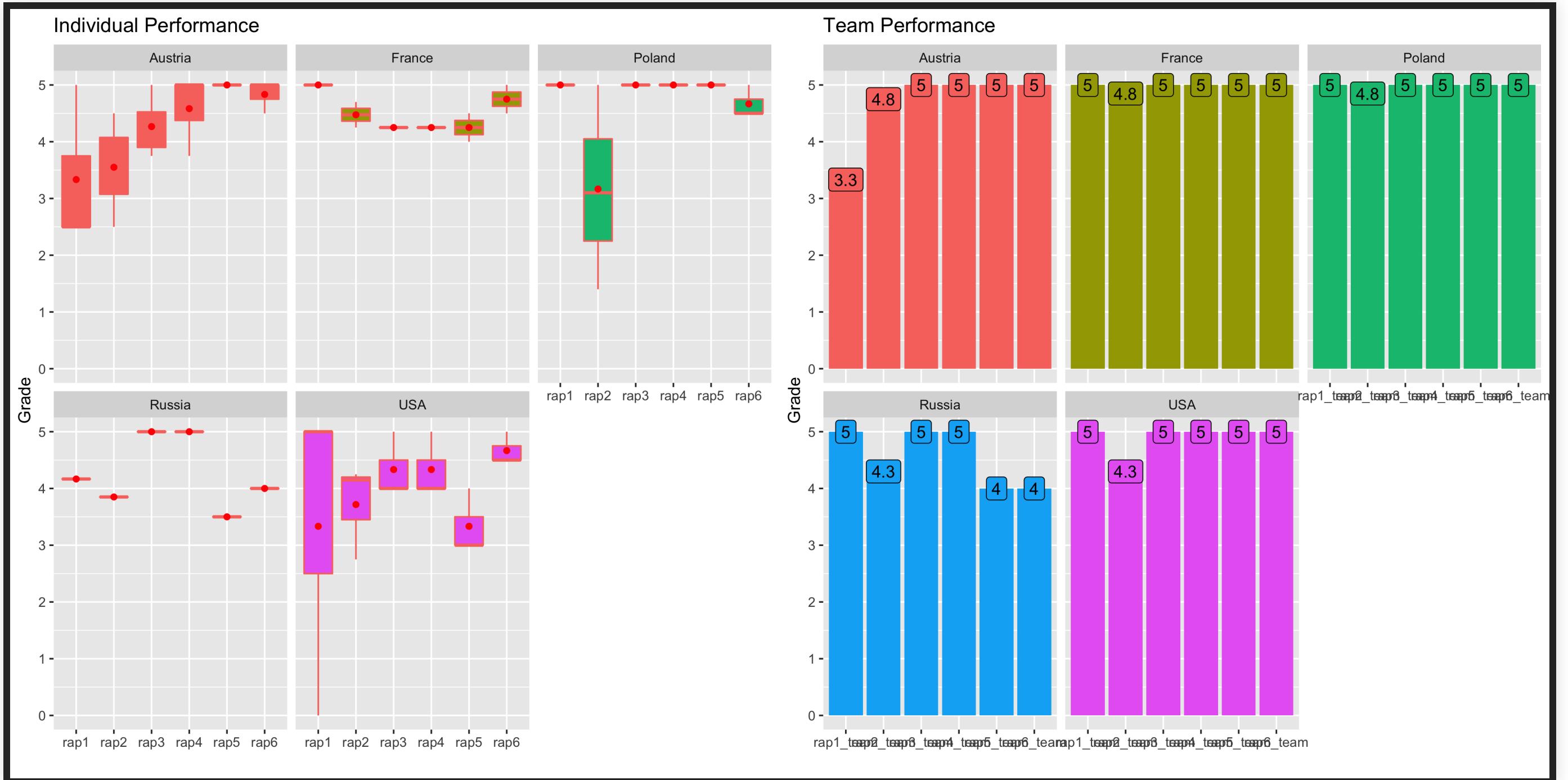


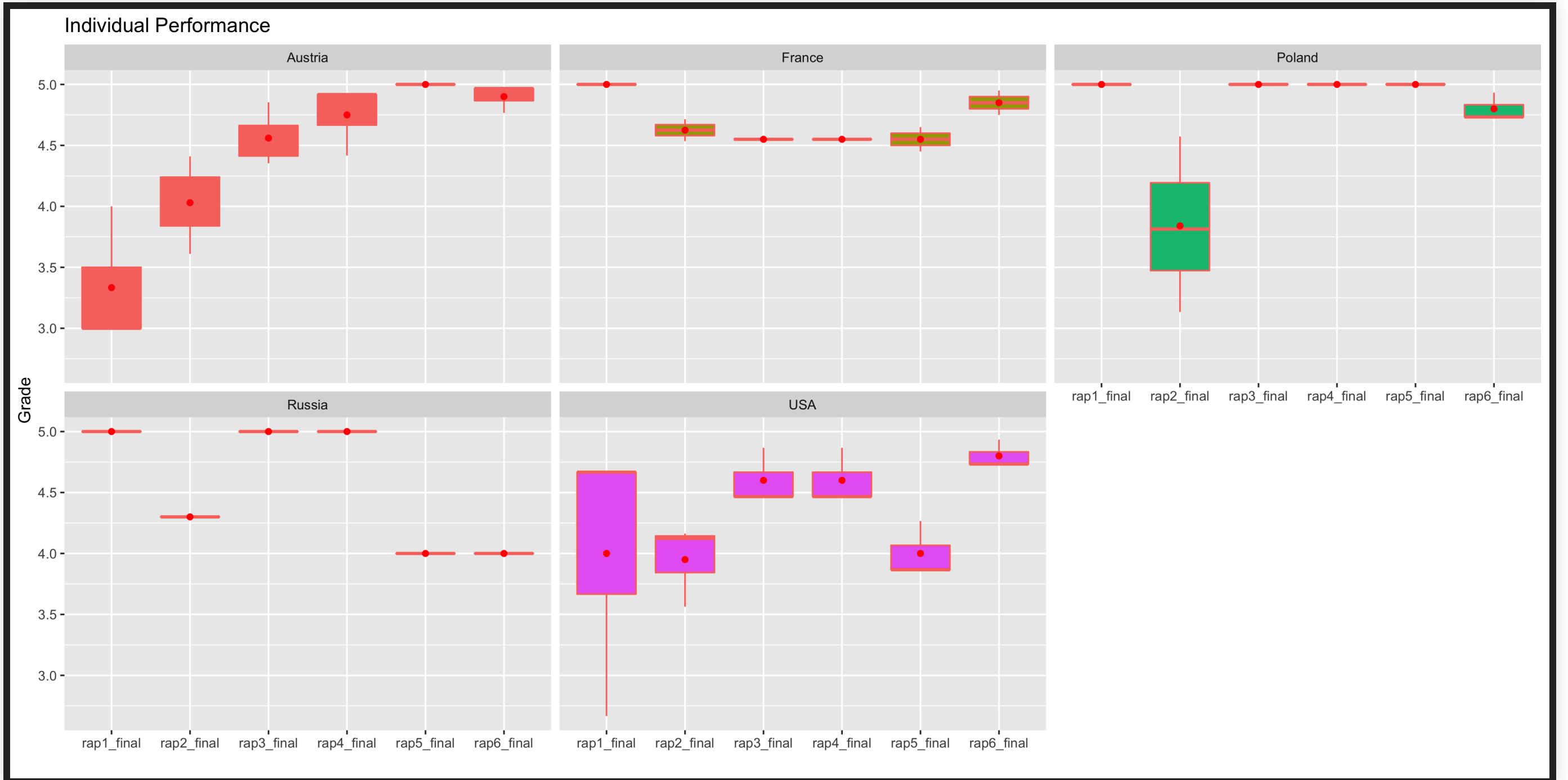


RAP 02 - RESULTS

ENGLISH

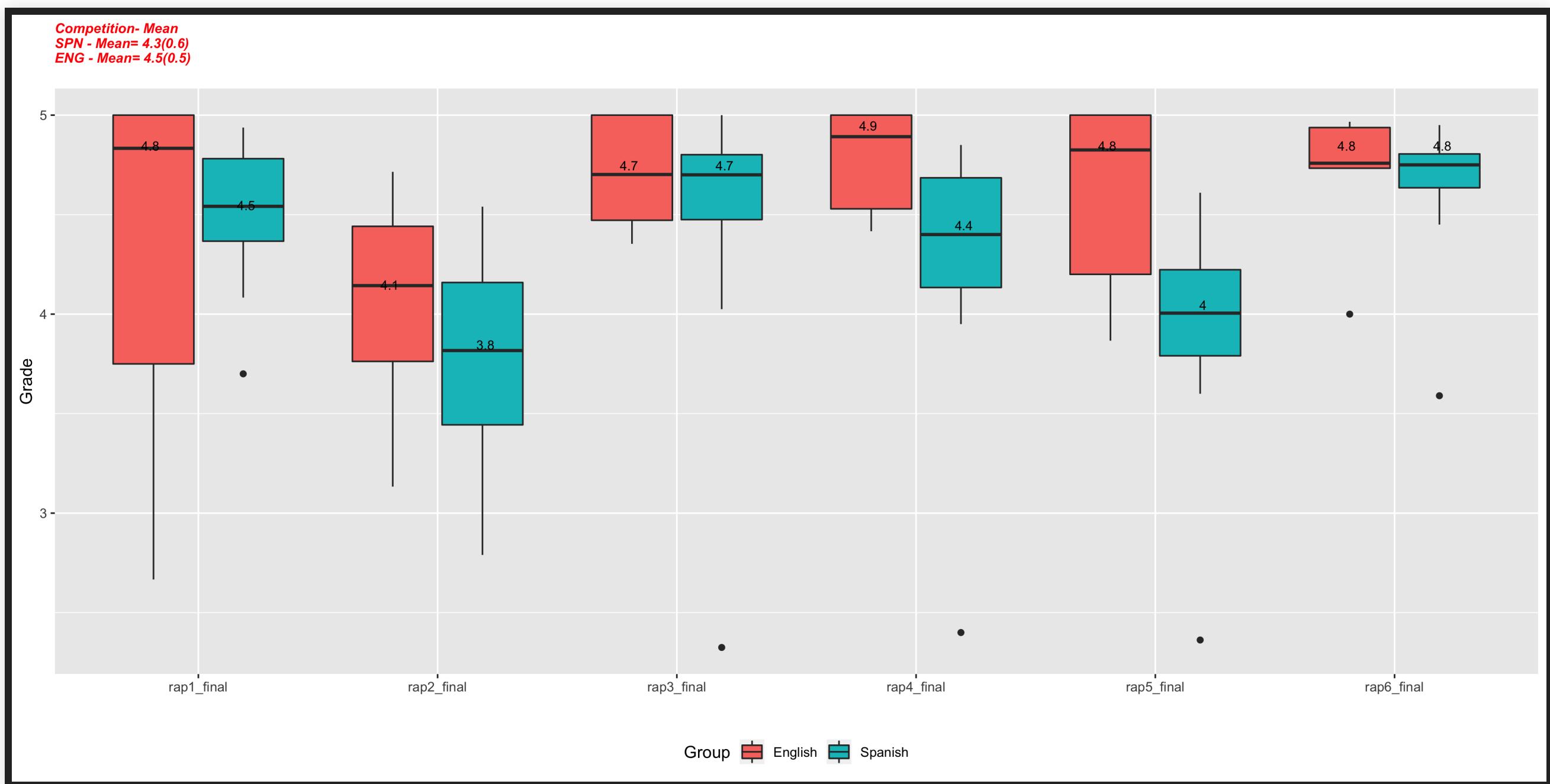
0.4 Individual + 0.2 Average + 0.4 Team = Final grade





COMPETITION

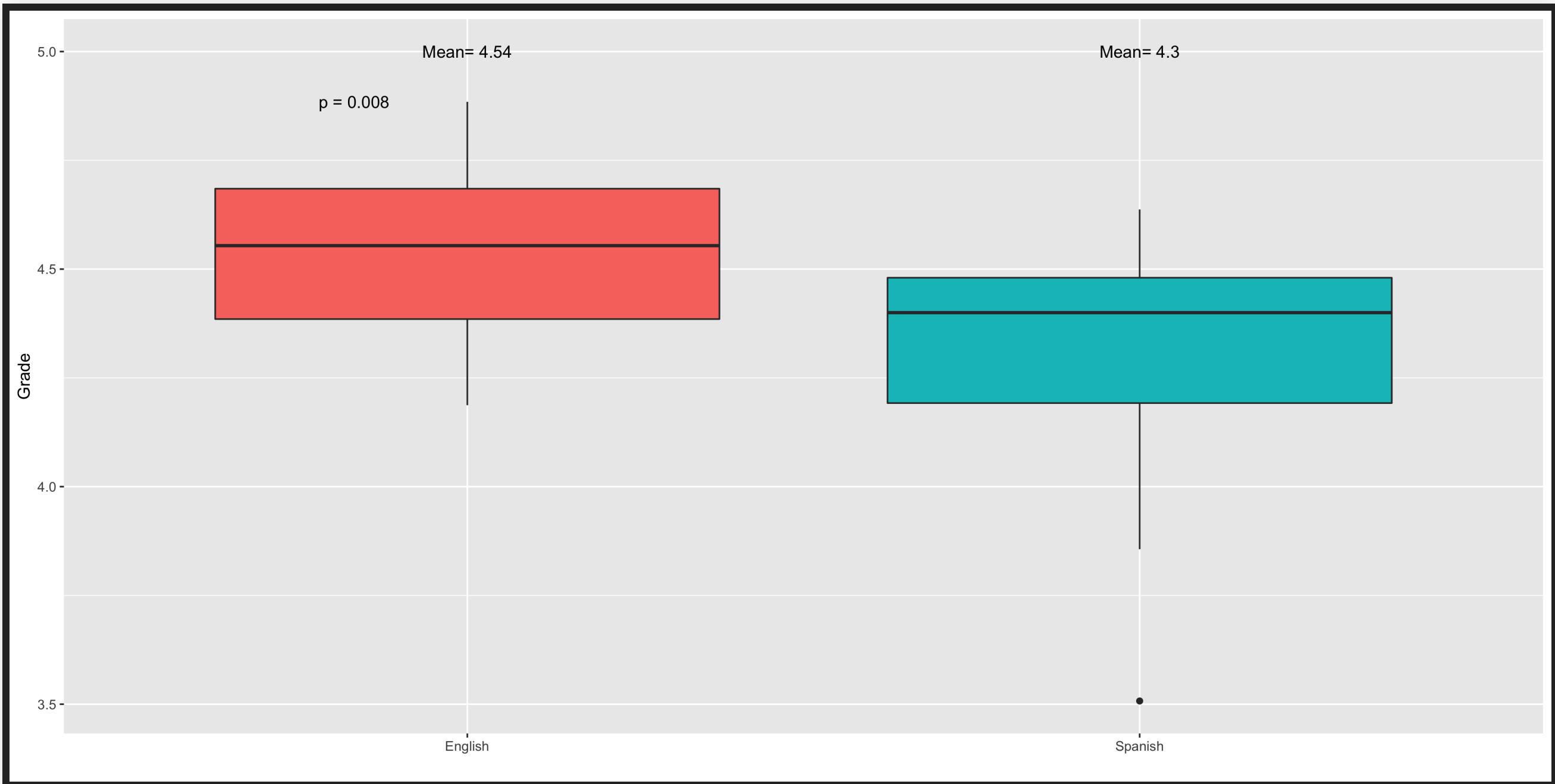
(0.1 + Overall RAP)



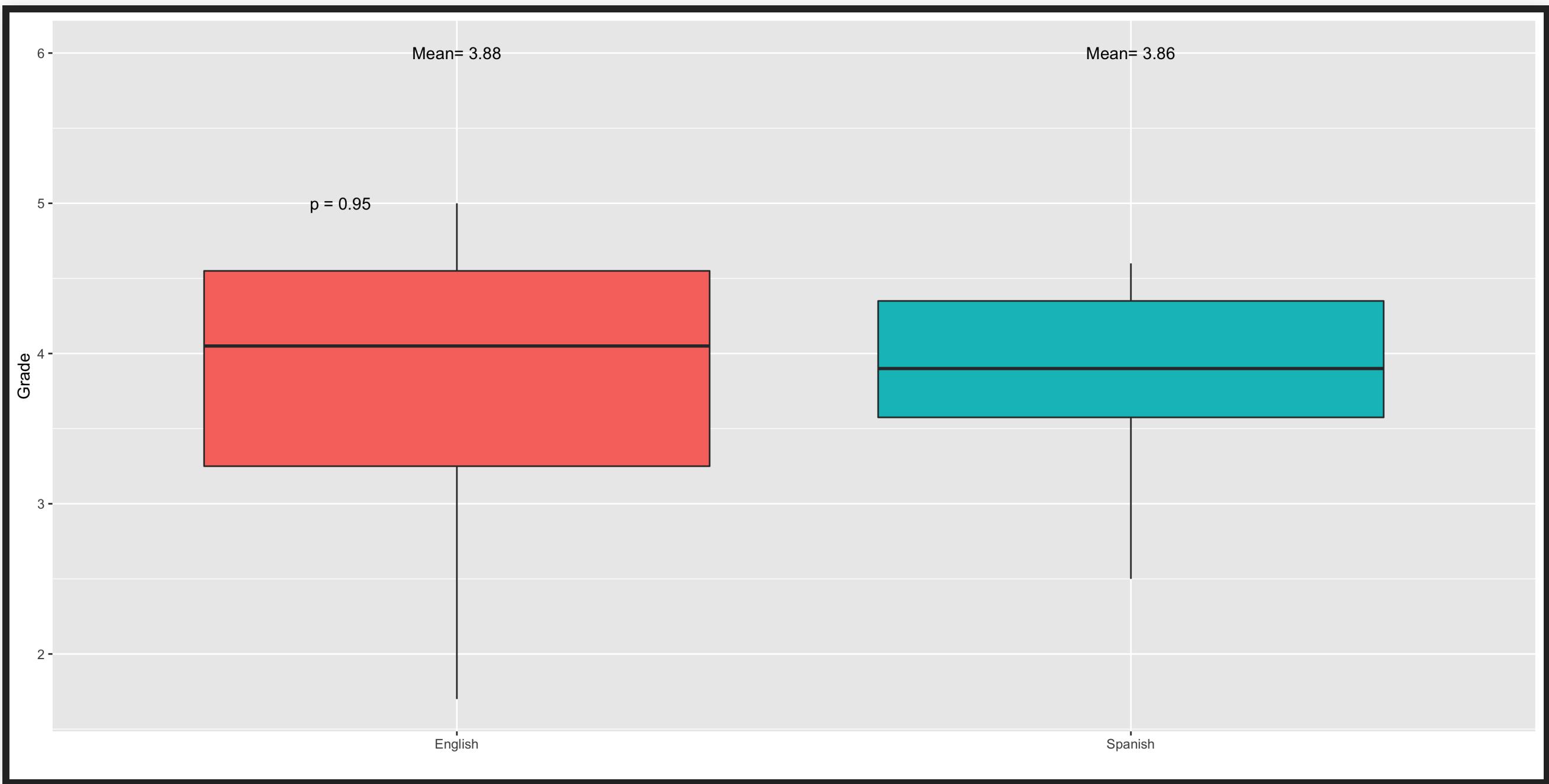
($t = 2.9766$, $df = 151.57$, $p\text{-value} = 0.003394$)

RAPS (30%)

(after bonus)

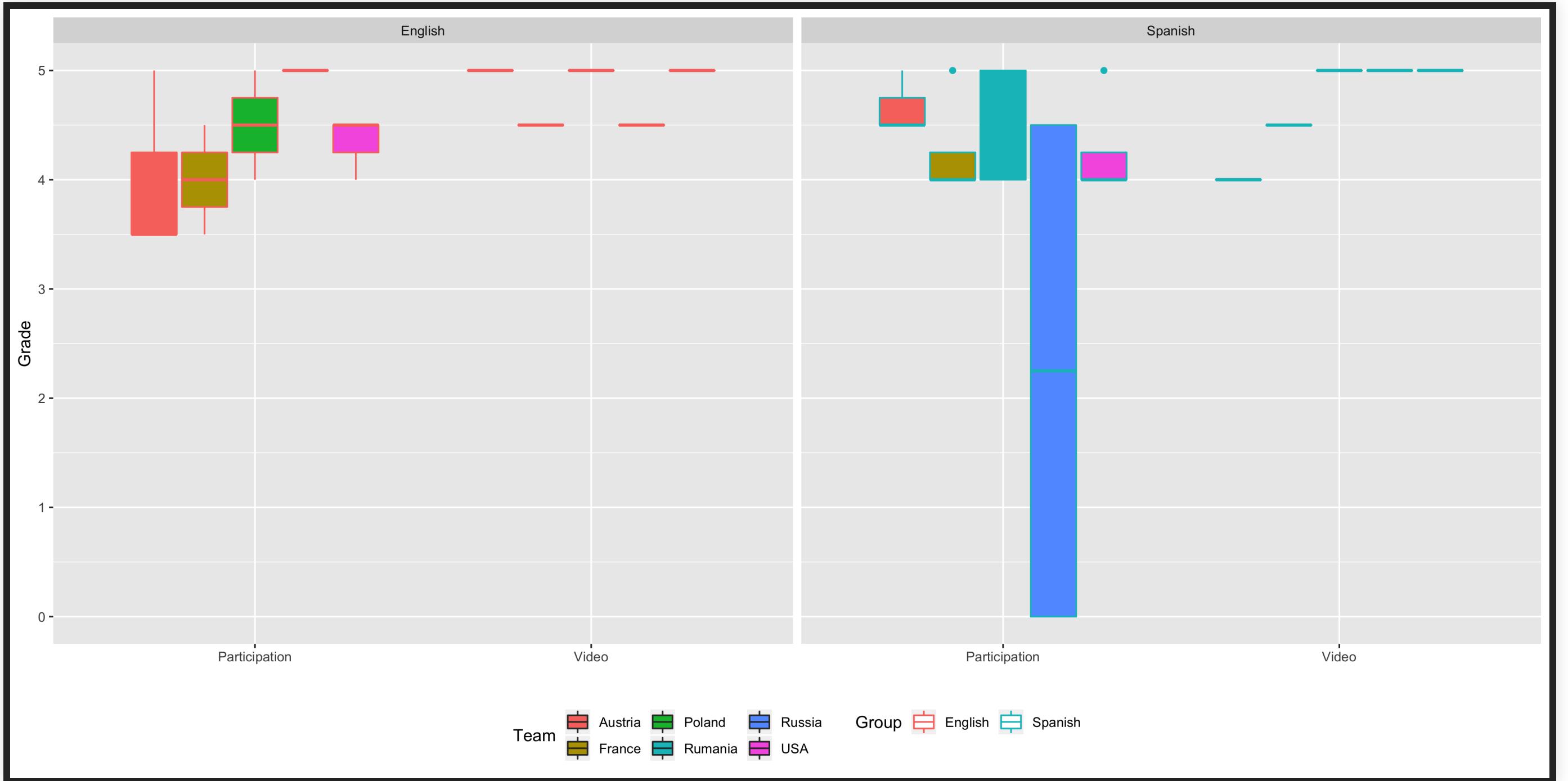


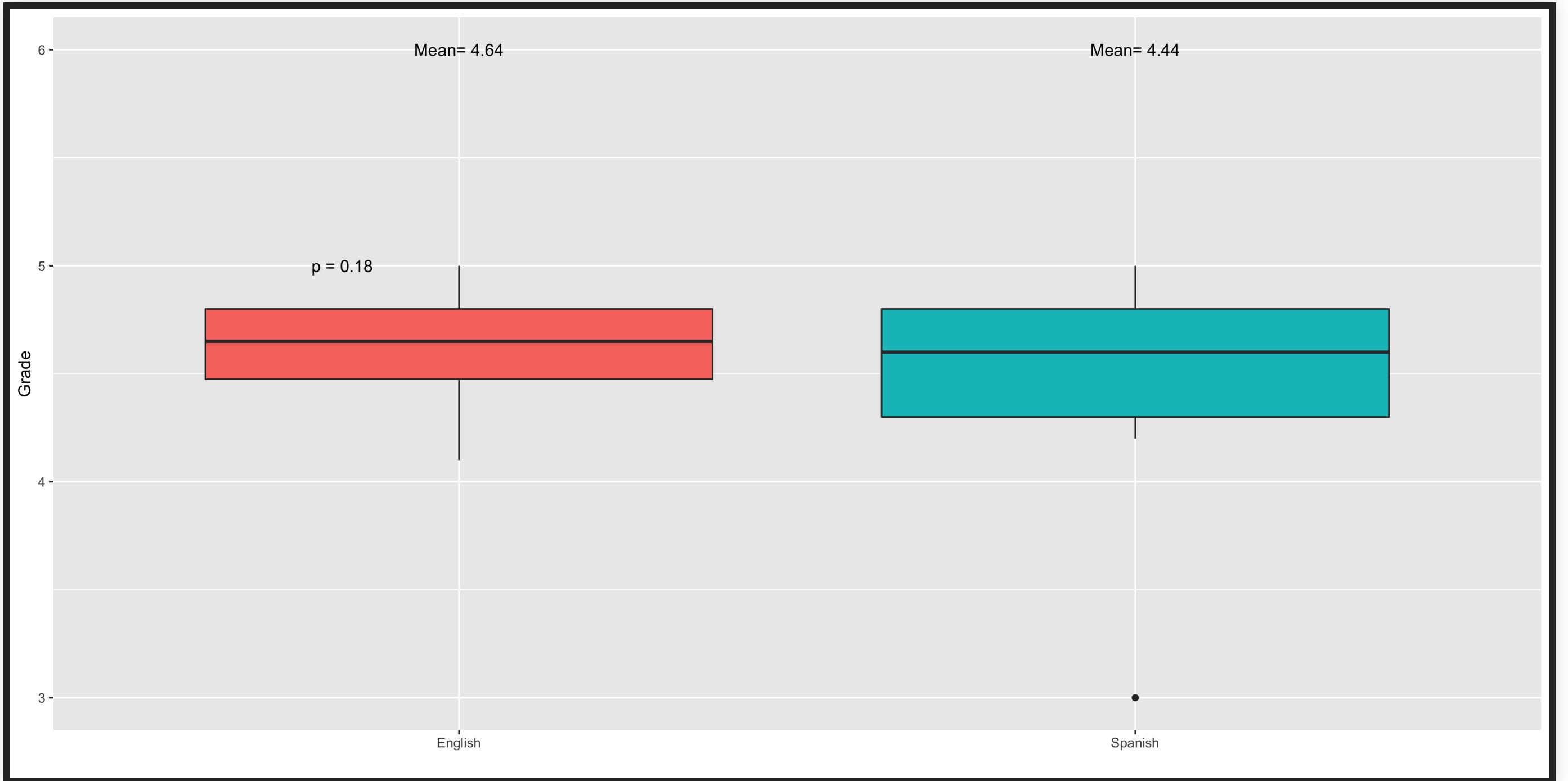
EXAM1 (20%)



EXAM2 (20%)

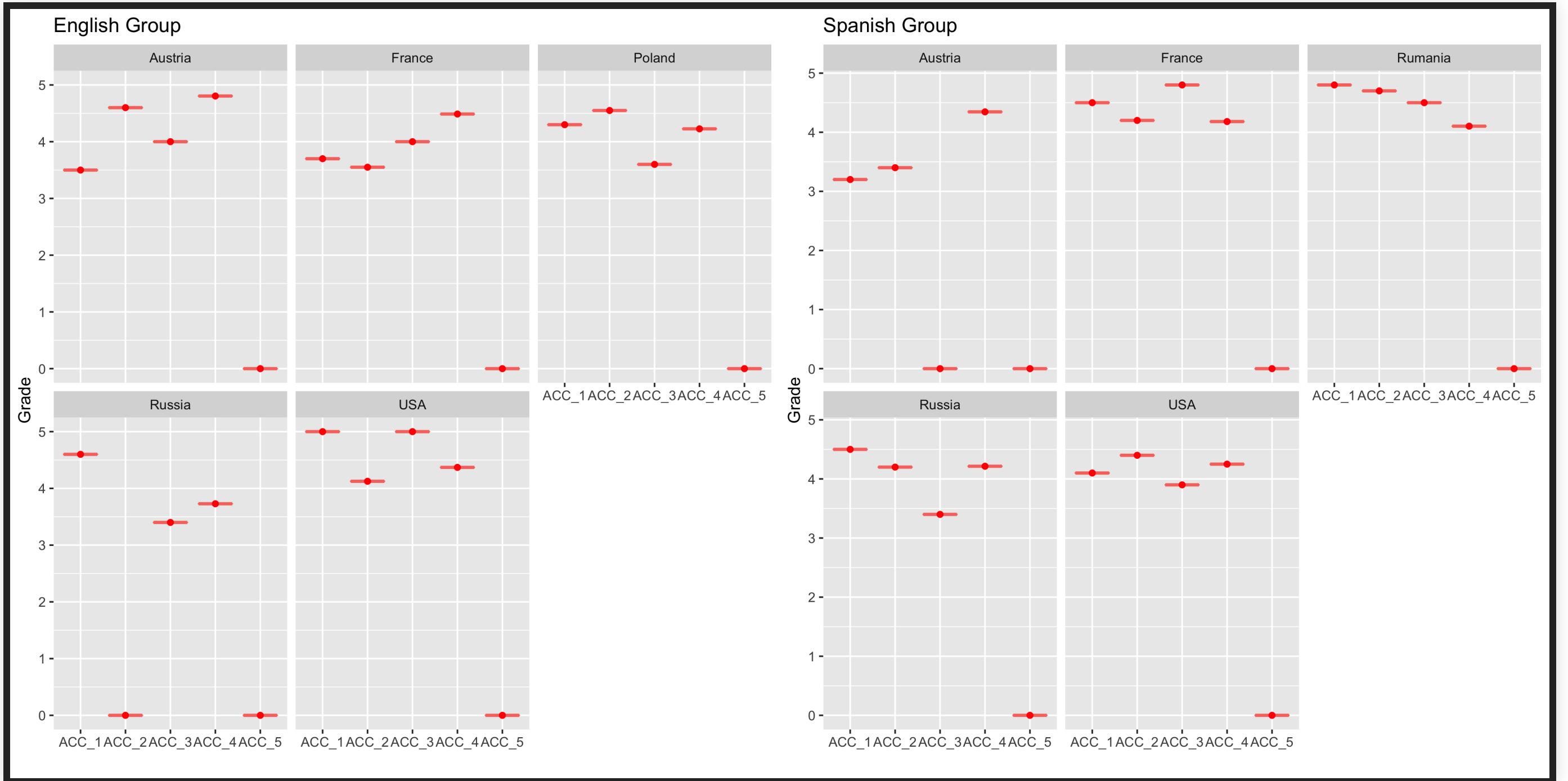
- 60% video
- 40% Individual (parlay)

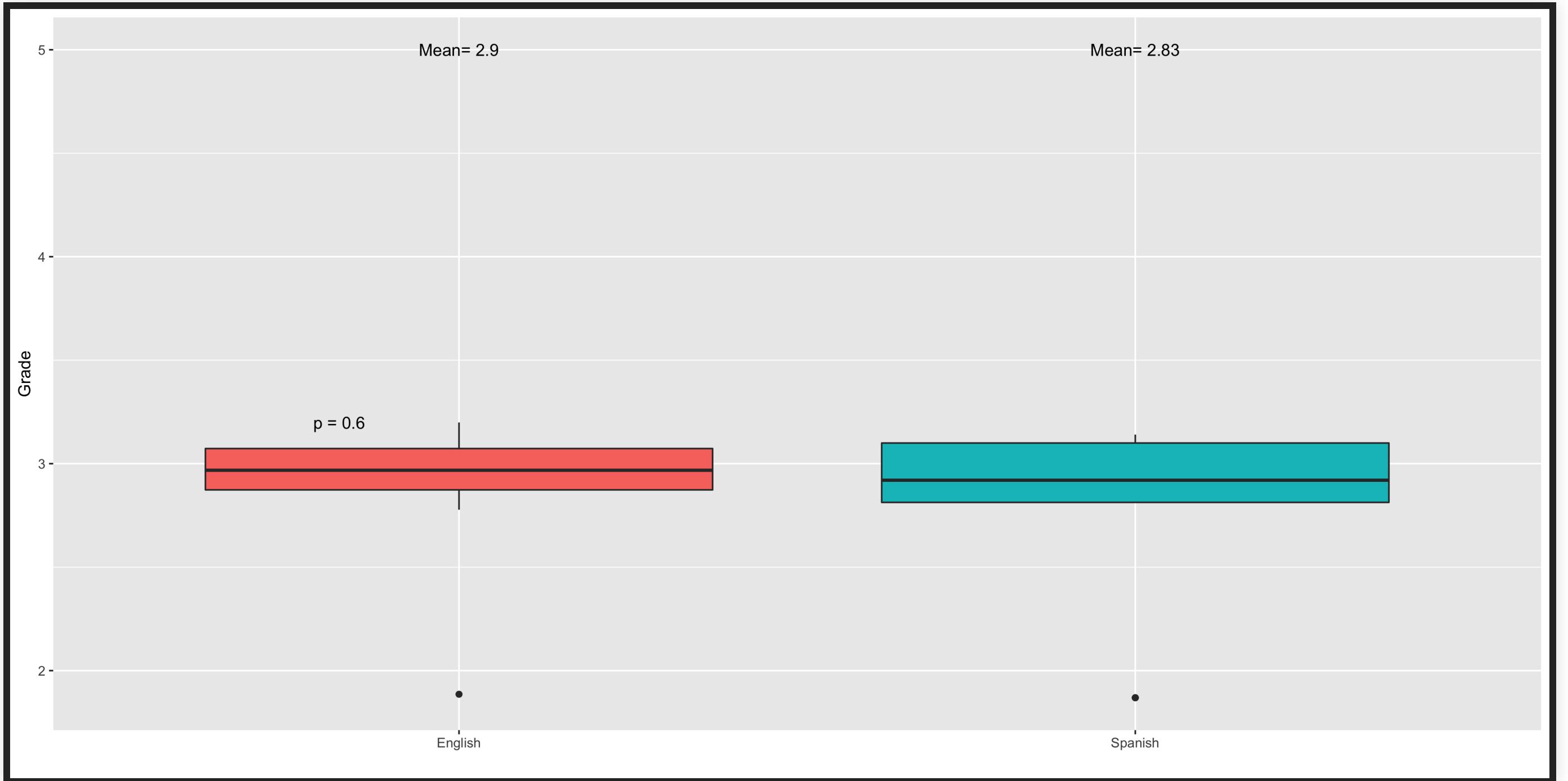




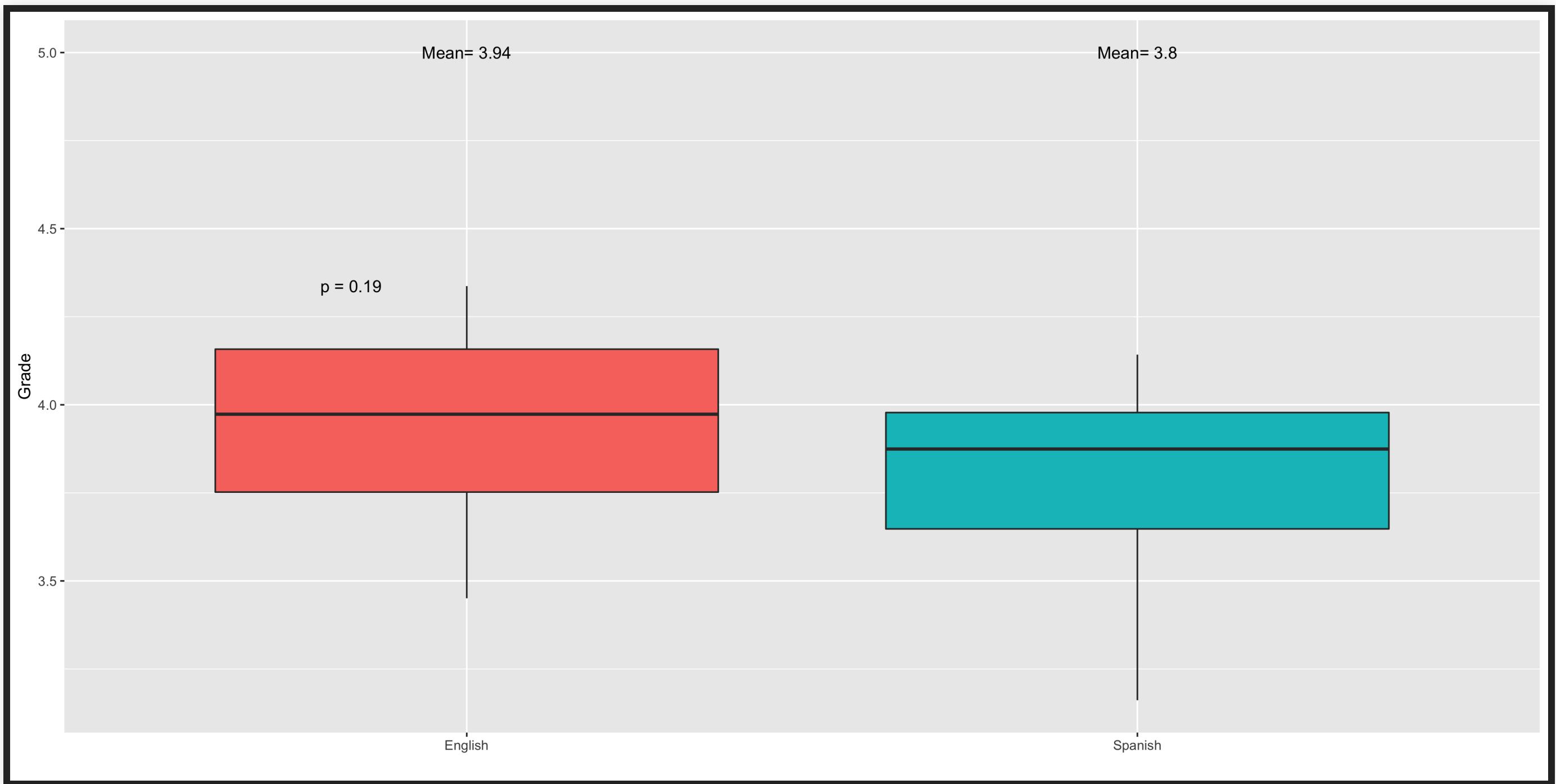
ACCS (30%)

- ACC 1 (10%) = Country Presentation
- ACC 2 (20%) = Problem section
- ACC 3 (20%) = Empirical Solow
- ACC 4 (20%) = Corona Debate
- ACC 5 (30%) = Development





OVERALL RESULTS (90%)



LAST ACC

TODAY IS ALMOST OUR LAST LECTURE

Let's cheer us up! let's play.

FLIP-COIN GAME

- Take a coin.
- Flip it 20 times and report your results
- Each time they land on “heads”, you will receive a 0.01 on your worst exam grade (either exam 1 or 2)
- We will do it first individually and then in teams.

NOW, LET'S DO IT IN A TEAM

- Each time they land on “heads”, you will receive a 0.01 on your worst ACC team based grade (ACC1,ACC2,ACC3)

LET'S PLAY

2017 SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL

to:

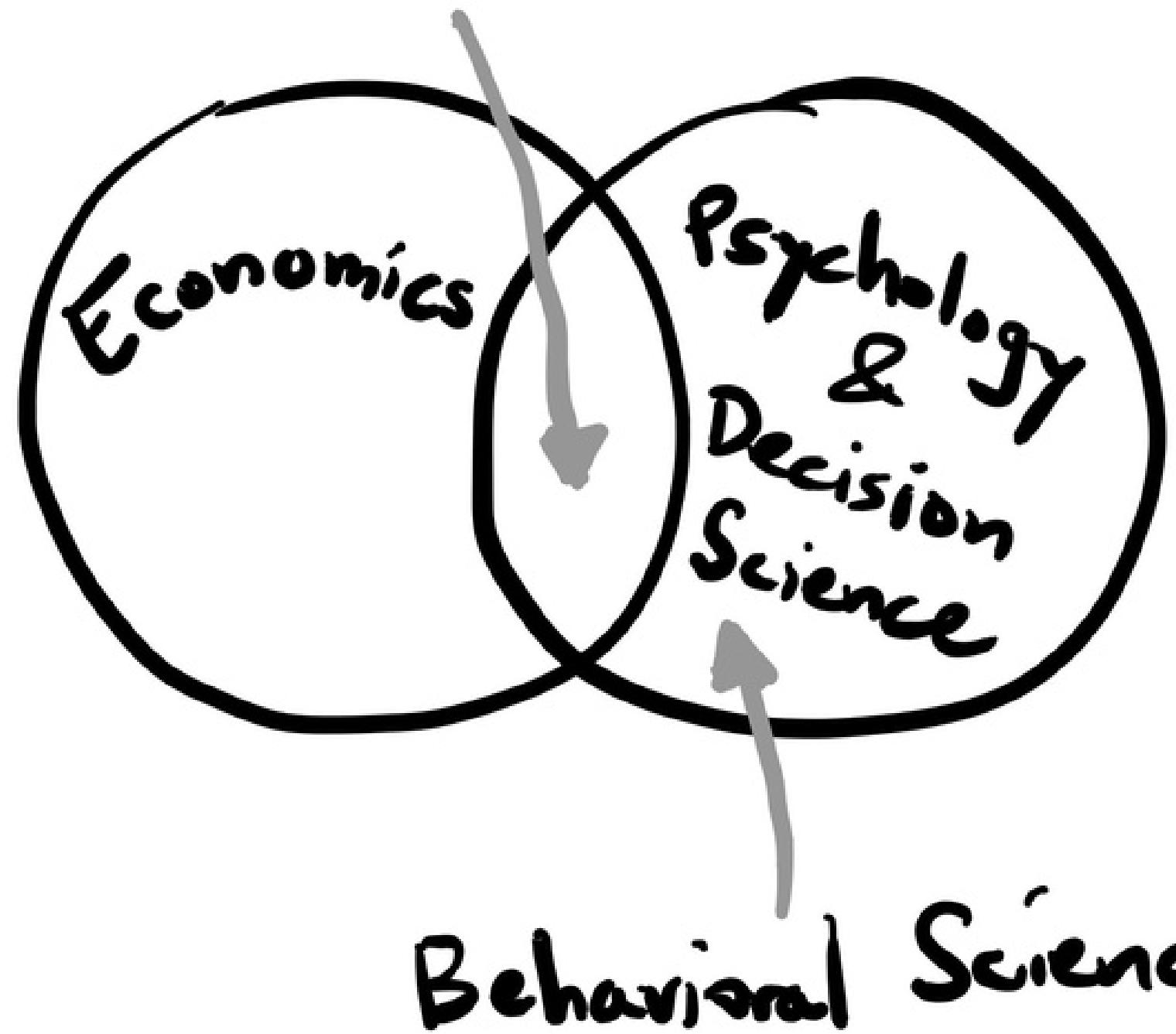


Illustrations: Niklas Elmehed; Nobel Prize Medal: © © The Nobel Foundation; Photo:

HUMAN: More Homer (simpson) than Homo Economicus



Behavioral Economics

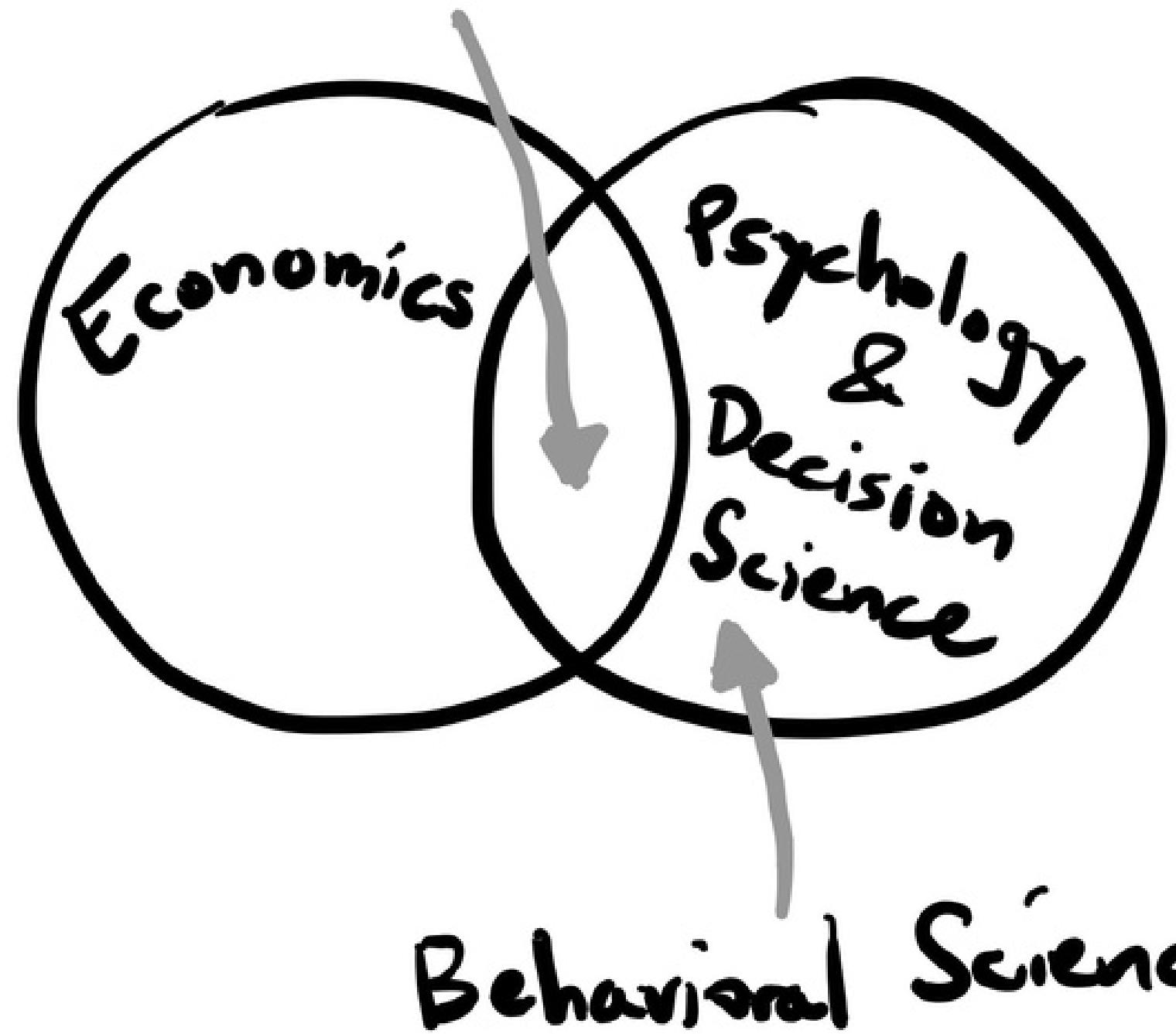


Behavioral Economics is the combination of psychology and economics that investigates what happens in markets in which some of the agents display human limitations and complications (Homer).

PROSPECT THEORY



Behavioral Economics

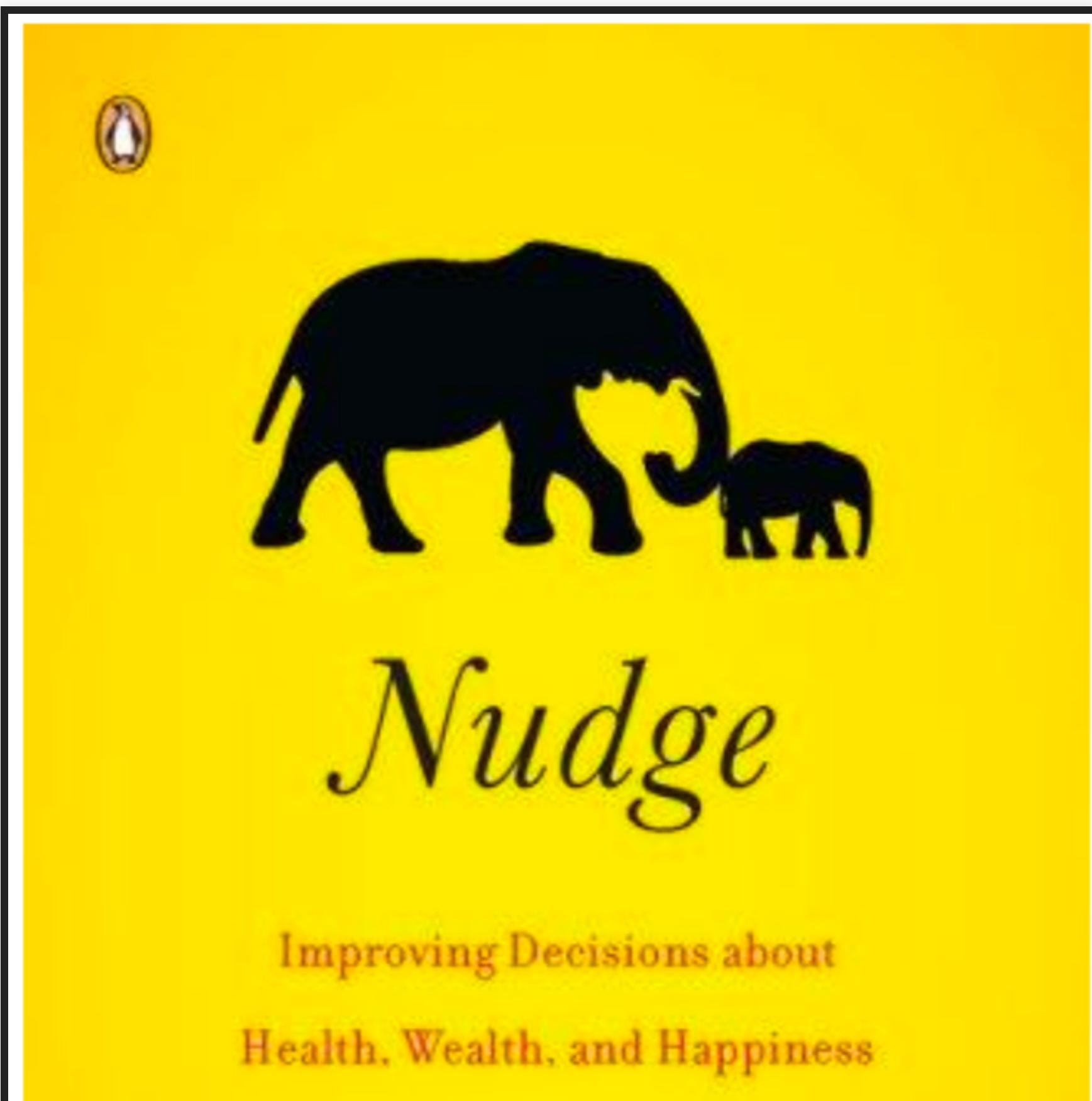


Pain ... is, in almost all cases, a more pungent sensation than the opposite and corresponding pleasure. The one almost always depressed us much more below the ordinary, or what may be called the natural states of our happiness, than other ever raises us about it. (Smith, 1759)

STATUS QUO BIAS

How this can explain under-developed economics?

SOCIAL EXPERIMENTS



SMALL PUSH



OTHER EXAMPLES

- Taxation
- Corruption

EXPERIMENTAL ECONOMICS

Experimental economics is a branch of economics that studies human behavior in a controlled laboratory setting or out in the field, rather than just as mathematical models. It uses scientific experiments to test what choices people make in specific circumstances, to study alternative market mechanisms and test economic theories.

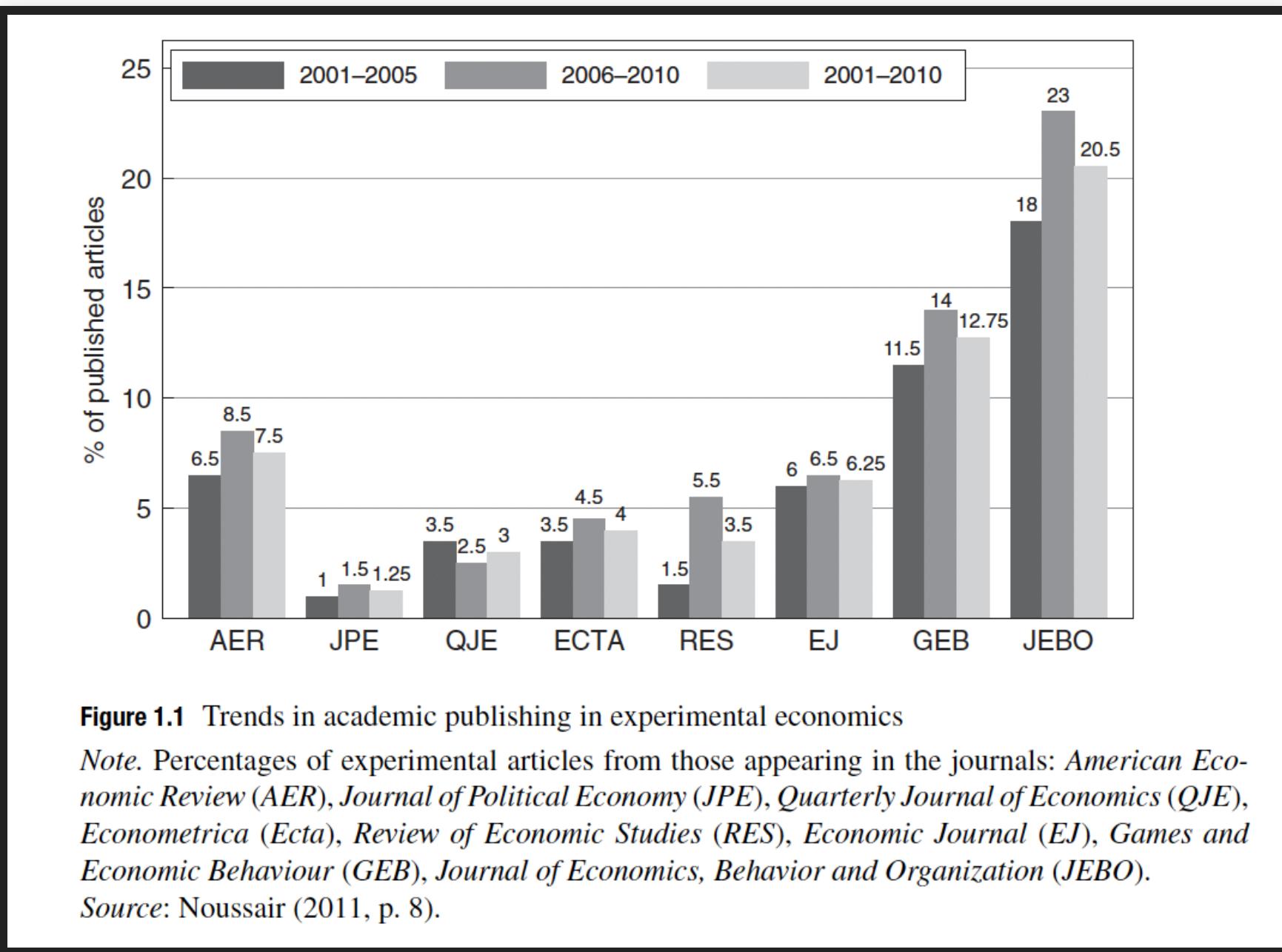
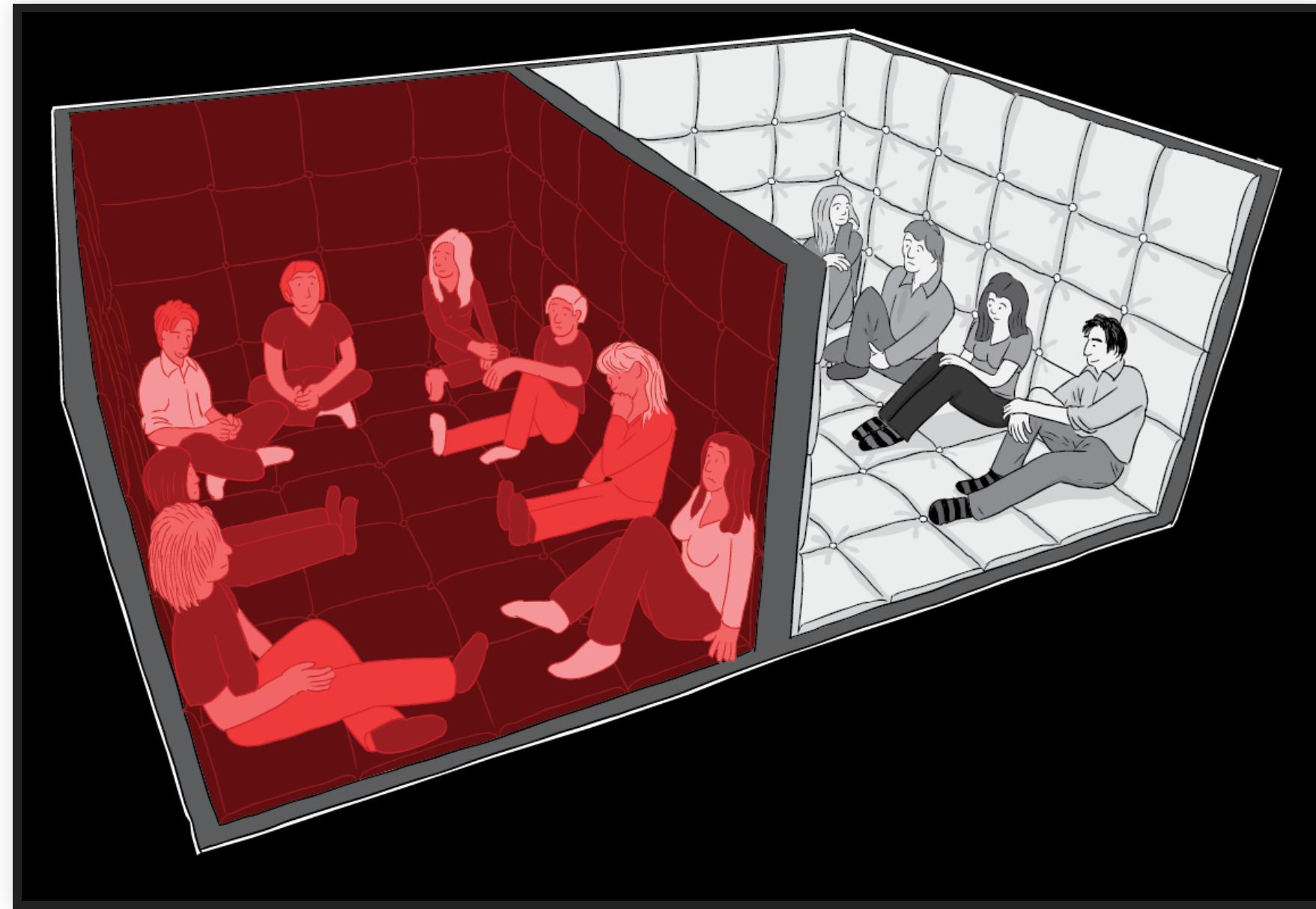


Figure 1.1 Trends in academic publishing in experimental economics

Note. Percentages of experimental articles from those appearing in the journals: *American Economic Review* (AER), *Journal of Political Economy* (JPE), *Quarterly Journal of Economics* (QJE), *Econometrica* (Ecta), *Review of Economic Studies* (RES), *Economic Journal* (EJ), *Games and Economic Behaviour* (GEB), *Journal of Economics, Behavior and Organization* (JEBO).

Source: Noussair (2011, p. 8).



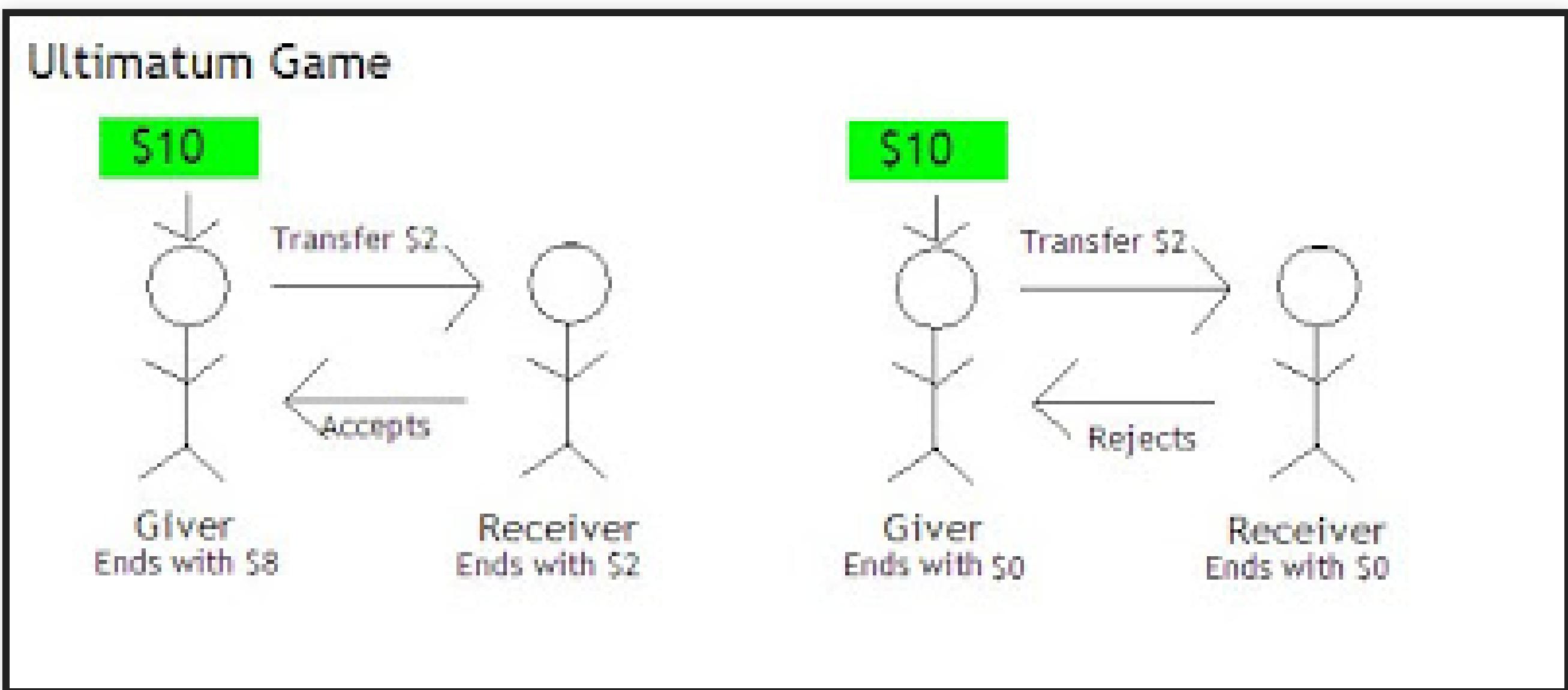
A LAB IN ECONOMICS



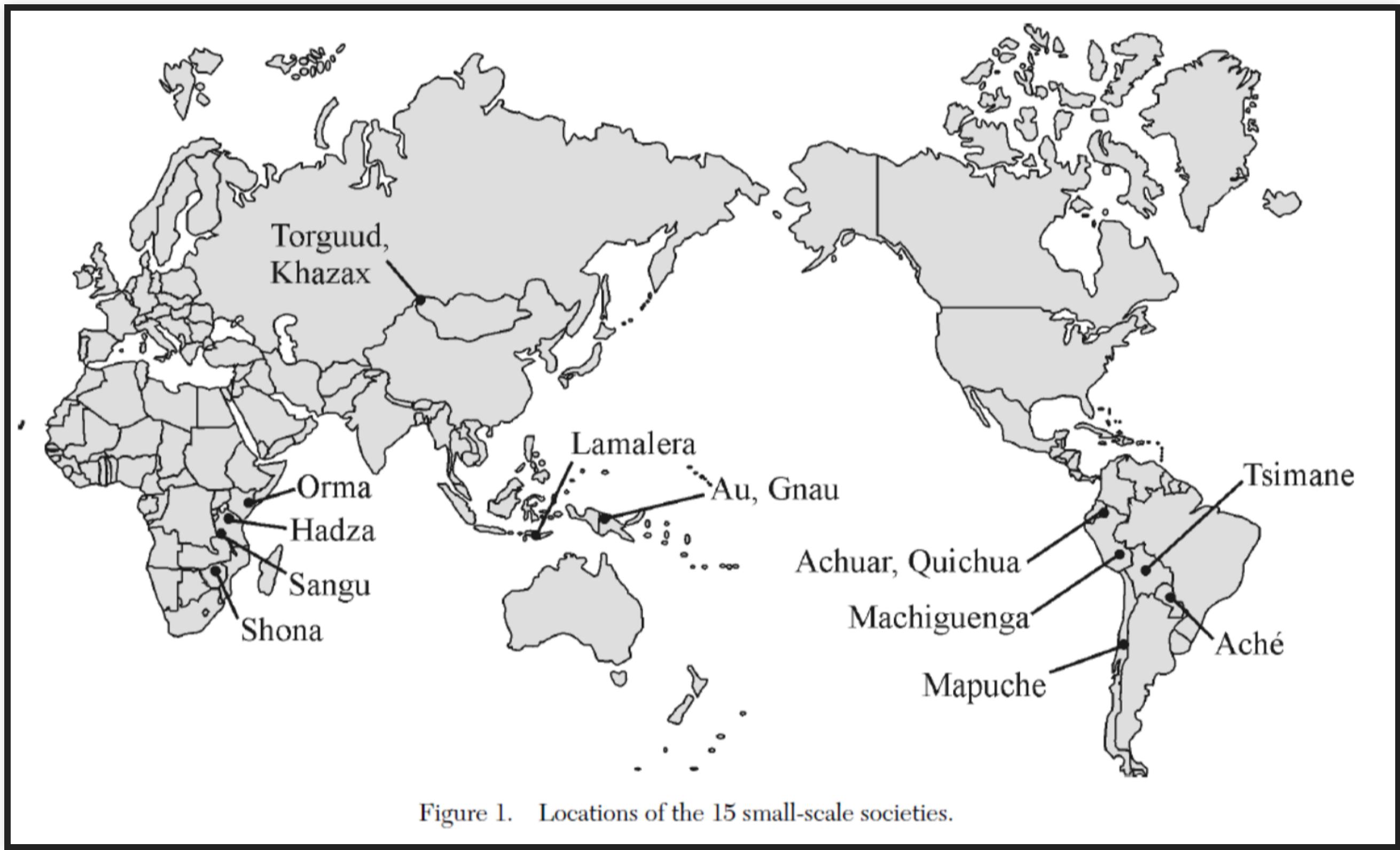
ECONOMIC EXPERIMENT'S SOUL (IT'S ABOUT MONEY)

- The Induced Value Method: It is assumed that the consumption of every good generates utility, for which there is a monetary equivalent.
- So, Utility function can be replaced by "money function"
- So, we can "induced" from the outside the utility function that is used for the evaluation for action

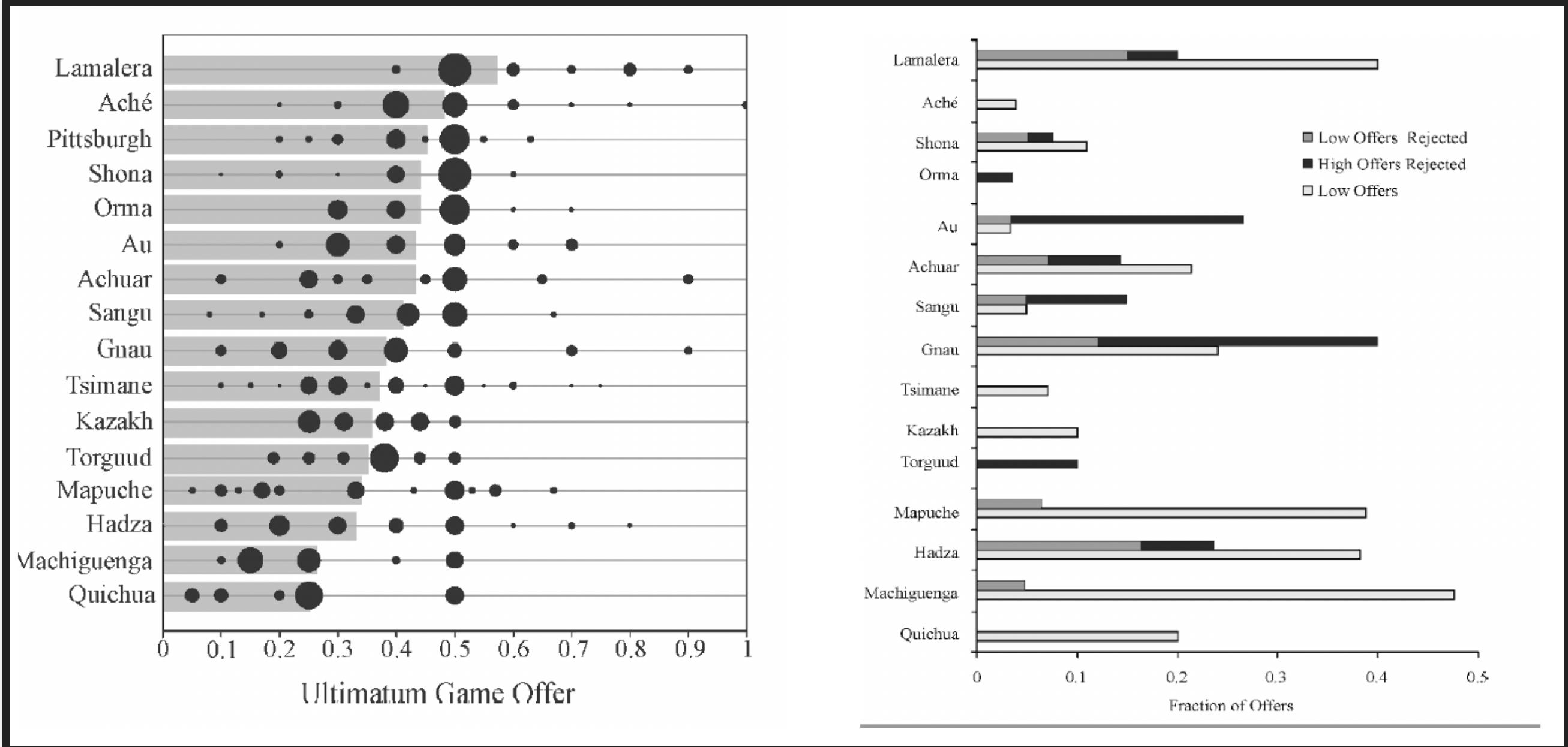
ULTIMATUM GAME (AN EXAMPLE)



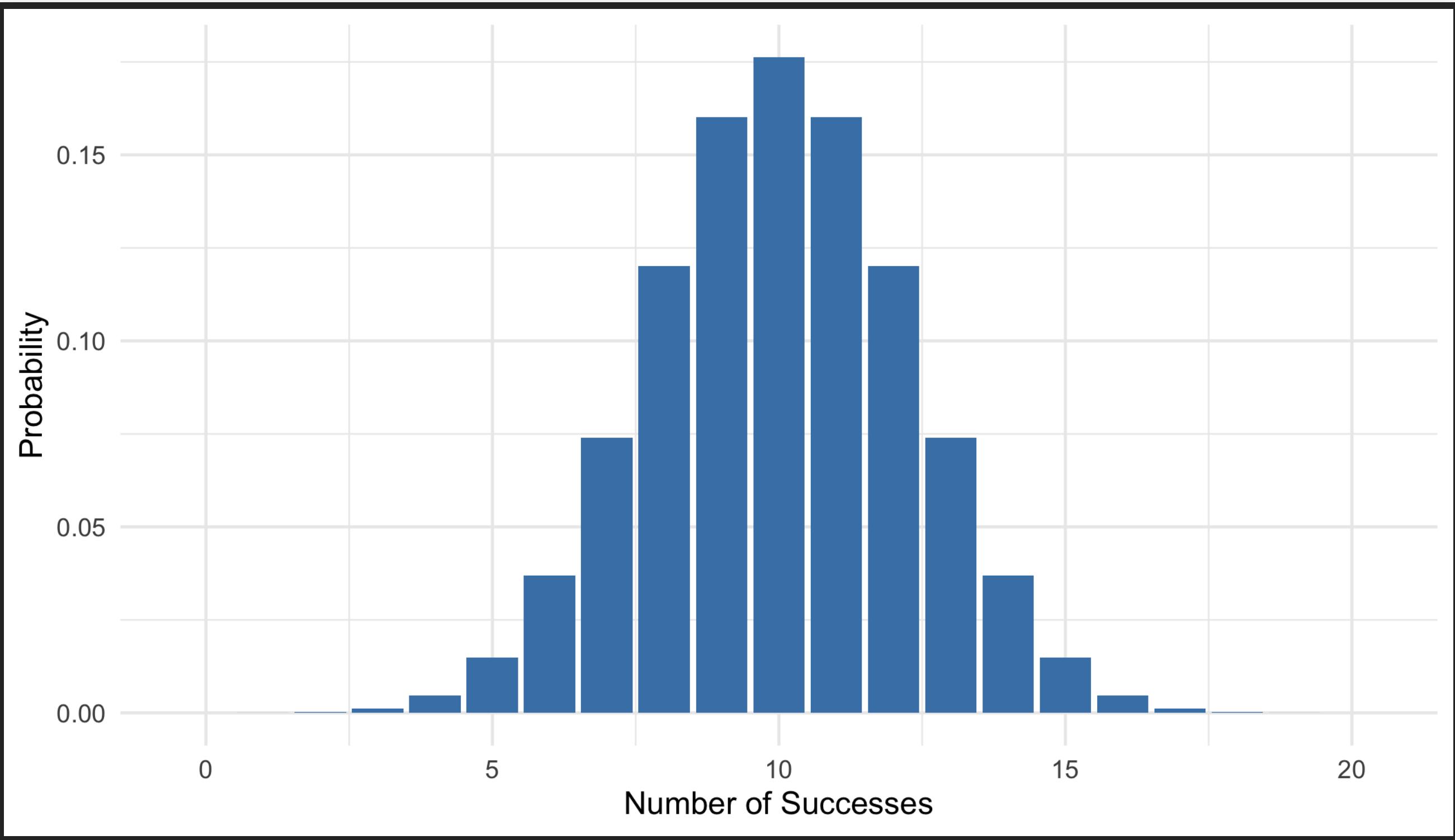
THE CROSS-CULTURAL BEHAVIOURAL EXPERIMENTS PROJECT (HENRICH, 2000)



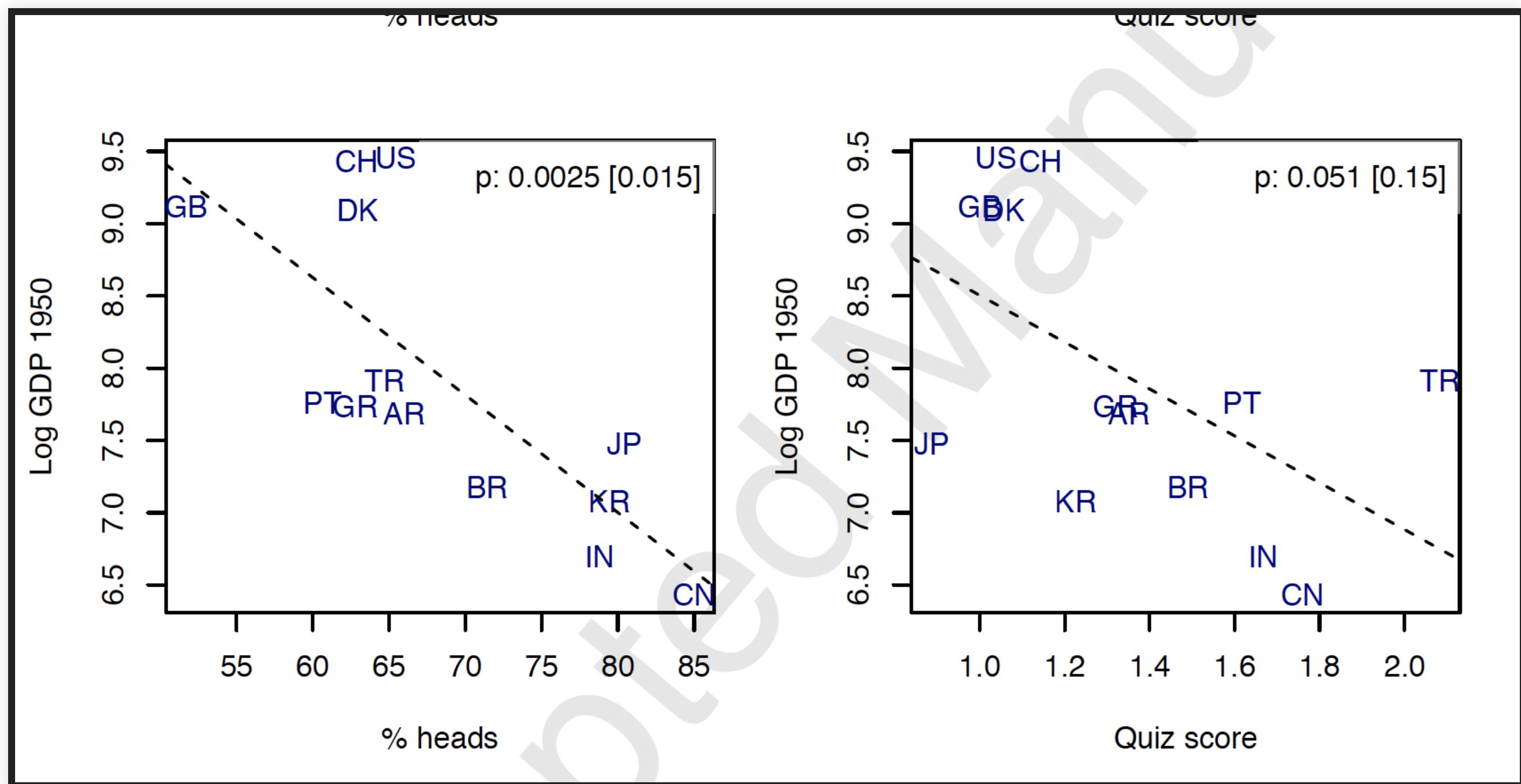
Group	Language Family	Environment	Economic Base	Residence	Complexity	Researcher	PC ¹	AMI ²
Machiguenga	Arawakan	Tropical forest	Horticulture	Bilocal/ seminomadic	Family	Henrich, Smith	1	4.5
Quichua	Quichua	Tropical forest	Horticulture	Sedentary/ seminomadic	Family	Patton	1	2
Achuar	Jivaroan	Tropical forest	Horticulture	Sedentary/ seminomadic	Family plus extended ties	Patton	1	2.50
Hadza	Khoisan/Isolate	Savanna-woodlands	Foraging	Nomadic	Band	Marlowe	4	1.25
Aché	Tupi-Guarani	Semitropical woodlands	Horticulture/ foraging	Sedentary/ nomadic	Band	Hill, Gurven	6	5
Tsimane	Macro-Panoan Isolate	Tropical forest	Horticulture	Seminomadic	Family	Gurven	1	2.75
Au	Torricelli/ Wapei	Mountainous tropical forest	Foraging/ horticulture	Sedentary	Village	Tracer	3	4.75
Gnau	Torricelli/ Wapei	Mountainous tropical forest	Foraging/ horticulture	Sedentary	Village	Tracer	3	5
Mapuche	Isolate	Temperate plains	Small scale farming	Sedentary	Family plus extended ties	Henrich	2	4
Torguuds	Mongolian	High latitude desert; seasonally- flooded grassland	Pastoralism	Transhumance	Clan	Gil-White	2	9

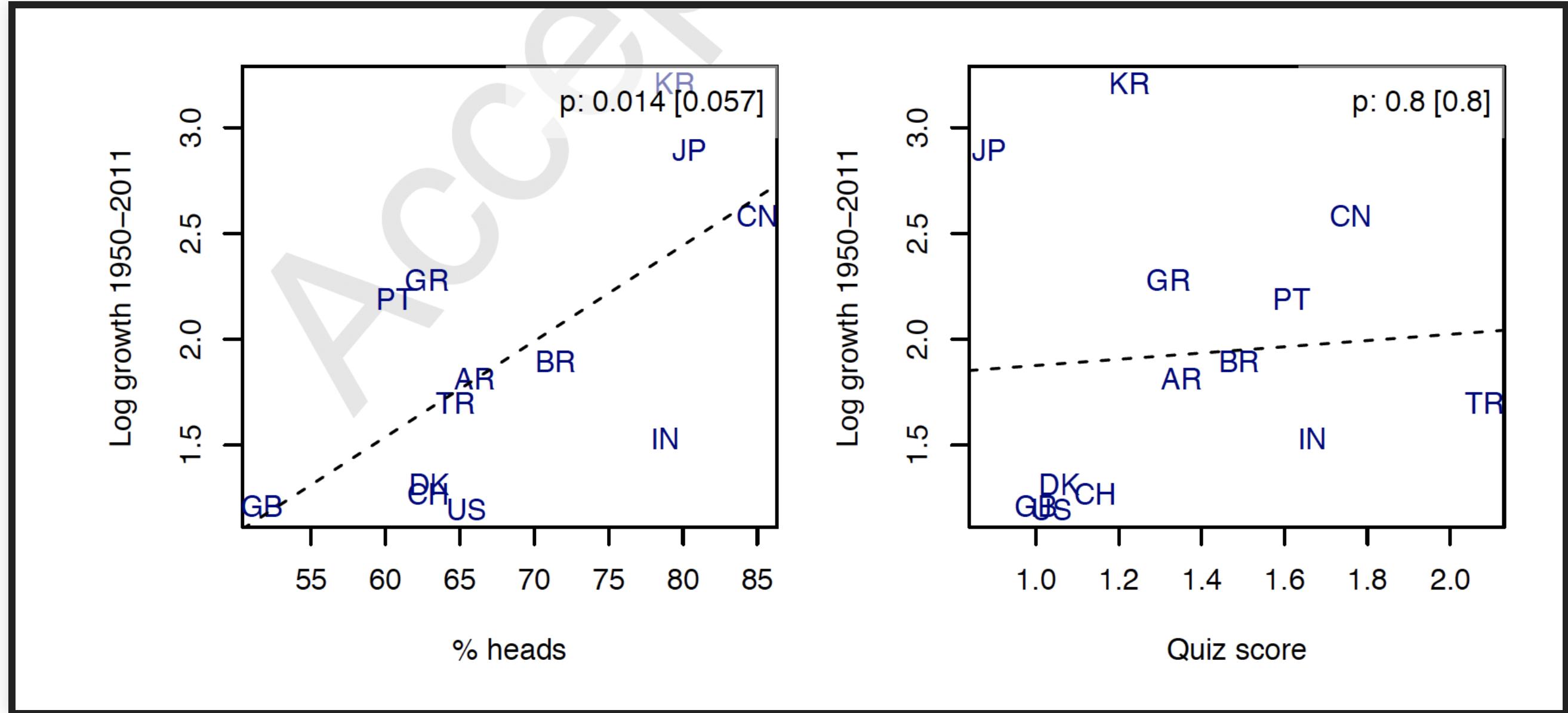


HONESTY GAME



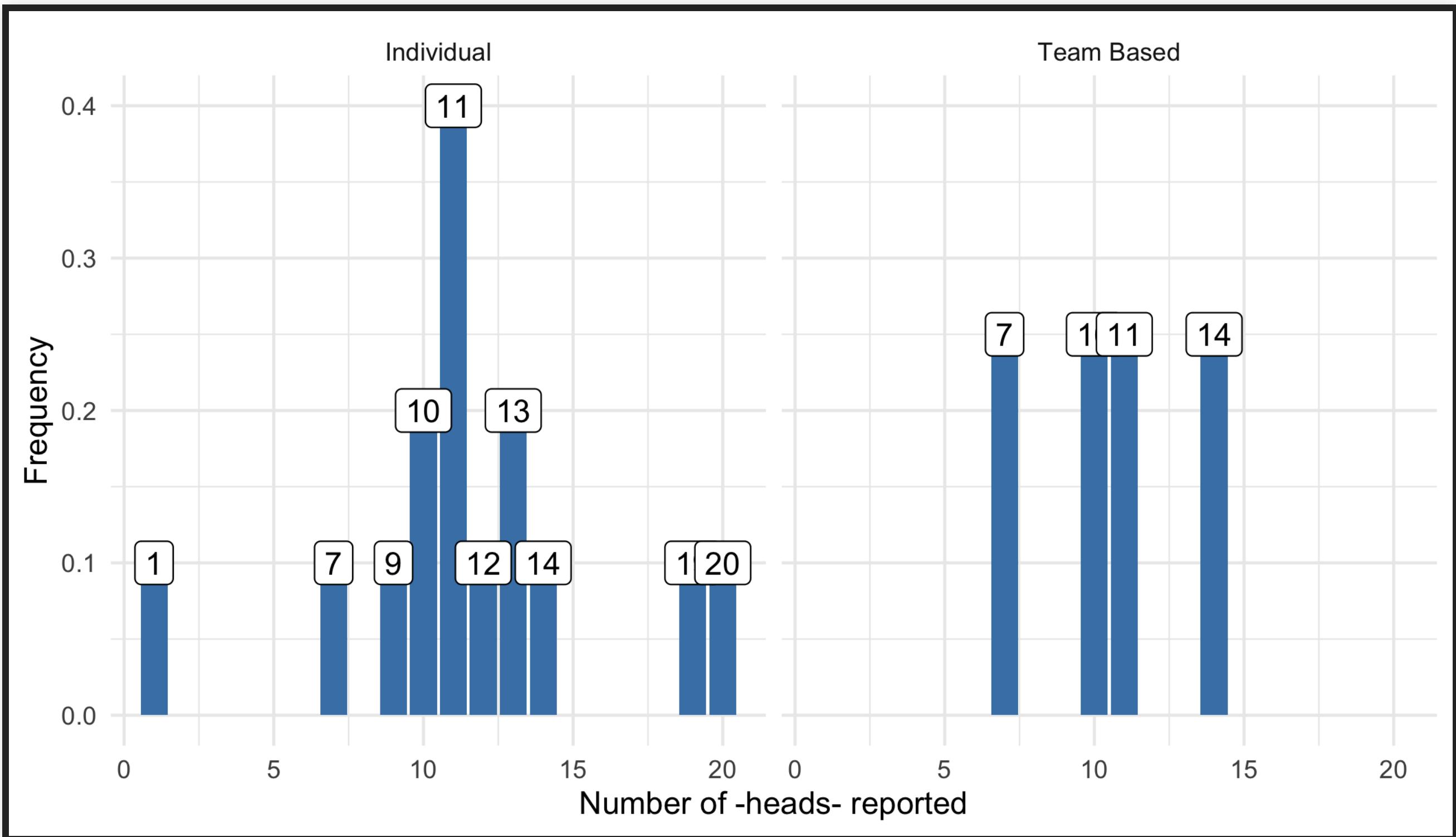
1. Who wrote the composition "Für Elise"?
2. What is Lady Gaga's real first name?
3. Name the drummer of the rock group Nirvana.
4. In what year was Claude Debussy born?
5. How many valves are there on a standard modern trumpet?
6. Name the town and state of the US where Michael Jackson was born.





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OUR RESULTS



MAIN ADVANTAGE

MAIN DISADVANTAGE

Thanks