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## Introduction

There has been recently a surge of interest in bounded rationality in economics. This follows both from a tradition within the field as well as research at the crossroads of psychology and economics with experimental evidence being included increasingly. The course will cover cognitive constraints of individuals and firms (as in Simon's work), situations where agents follow exogenously specified rules of thumb, and situations where people depart from self-interested rationality in different ways.

## Objectives

The aim of the course is to provide a primer on this fast developing field at the intersection between behavioral economics and microeconomics, drawing from industrial organization, psychology, experimental economics, organization theory, and decision and game theory. The consequences for firm's strategy and public regulation will be examined. The content of the course can be applied to Marketing, Finance, General Management, Operations, and, indeed, Economics and Strategy.

## Learning Outcomes

To master the concepts developed in the course material in such a way that independent research can be carried out.

## Competences

General Competences (refer to list of general competences in the MRM)

- Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.
- Use appropriate tools and techniques for problem solving, correction contrasting and decision validation.
- Demonstrate knowledge and understanding that provide a basis or opportunity for originality in developing and / or application of ideas, often related to a research context.
- Students must be capable to apply their knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study.
- Students should be able to communicate clearly and concisely their conclusions, underlying knowledge and reasons to a specialized and non-specialized audience.
- Students should possess the learning outcomes that enable them to continue studying in a way that will be largely self-directed or autonomous.

### Specific Competences

- Knowledge of and ability to use the tools of economic analysis and the classical theory of markets in the analysis of organizations.
- Publicly present ideas, procedures or research reports to advise people and organizations.
- Capability to apply game theories to the analysis of conflict situations of organizations and market related.

### Content

We will consider contexts where non-standard decision making by consumers might affect market outcomes while firms are rational and aim to maximize their profits, and the potential regulatory consequences to avoid the exploitation of consumers, as well as instances where firms depart from profit maximization (because they are content “satisficing”, imitating, care about fairness, are overoptimistic, or managers are subject to relative performance rewards).

### Methodology

The course will be conducted in the doctoral seminar style in 16 sessions.

### Evaluation

The measuring of the learning outcomes and the grading of the course for the students will be according to the class presentations.

## Course Outline & Bibliography

#	Topic
1 & 2	<p><b>Introduction to Behavioral Economics</b> <i>General Introduction to Behavioral Economics</i></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Thaler (2015) – Chapter 1</li> <li>• Gneezy &amp; Rey-Biel (2014)</li> <li>• Gneezy, Meier &amp; Rey-Biel (2011)</li> </ul> <p>Other:</p> <ul style="list-style-type: none"> <li>• Camerer (2003, 2006)</li> <li>• Roth (1995)</li> </ul> <p>Guest lecturer: Pedro Rey</p>
3	<p><b>Gender differences in preferences and their implications</b> <i>Do men and women show different risk preferences and confidence?</i></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Corson &amp; Gneezy (2009)</li> </ul> <p><i>Do these differences matter?</i></p> <p>In depth discussion of:</p> <ul style="list-style-type: none"> <li>• Iriberry &amp; Rey-Biel (forthcoming)</li> </ul> <p>Guest lecturer: Nagore Iriberry</p>
4	<p><b>Gender differences in peer recognition</b> <i>Gender differences in labor market outcomes</i></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Bertrand (2018)</li> <li>• Goldin (2014)</li> </ul> <p><i>Are contributions by male and female scholars equally recognized?</i></p> <p>In depth discussion of:</p> <ul style="list-style-type: none"> <li>• Card, DellaVigna, Funk &amp; Iriberry (2020)</li> </ul> <p>Guest lecturer: Nagore Iriberry</p>
5	<p><b>Social preferences, motivation and cooperation</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Charness &amp; Rabin (2002)</li> </ul> <p>Guest lecturer: Jordi Brandts</p>

6	<p><b>Coordination, communication and other organizational issues</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Brandts, Cooper &amp; Weber (2015)</li> </ul> <p>Guest lecturer: Jordi Brandts</p>
7	<p><b>Auctions</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Royal Swedish Academy of Sciences (2020), “Improvements to auction theory and inventions of new auction formats”.</li> <li>• Royal Swedish Academy of Sciences (2020), “The quest for the perfect auction”</li> <li>• Vives (2010)</li> </ul> <p>Lecturer: Xavier Vives</p>
8	<p><b>Correlation neglect</b></p> <p><i>Supply Functions. Analytical model &amp; experiment.</i></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Bayona, Brandts &amp; Vives (2020)</li> <li>• Vives (2010)</li> </ul> <p>Lecturer: Xavier Vives</p>
9	<p><b>Costly price interpretation</b></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Mondria, Vives &amp; Yang (forth.)</li> </ul> <p>Lecturer: Xavier Vives</p>
10	<p><b>Financial contagion, wealth effects and imitation</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>• Bayona &amp; Peia (2020)</li> </ul> <p>Guest lecturer: Anna Bayona</p>
11	<p><b>Price discrimination and consumer protection</b></p> <p><i>Consumer protection. Incentives.</i></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Armstrong &amp; Vickers (2012, 2019)</li> </ul> <p>Presenter: Zhiqiang Ye</p>

<b>12</b>	<p><b>Time Preferences and Overconfidence</b> <i>Consumers &amp; menu of contracts.</i></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• DellaVigna &amp; Malmendier (2006)</li> </ul> <p>Presenter: Student 1</p>
<b>13</b>	<p><b>Overconfident Consumers</b></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Grubb (2015)</li> </ul> <p>Presenter: Student 2</p>
<b>14</b>	<p><b>Overconfident Investors</b></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Daniel &amp; Hirshleifer (2015)</li> </ul> <p>Presenter: Student 3</p>
<b>15</b>	<p><b>Behavioral Finance</b> <i>Attention &amp; buying behavior.</i></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Barber &amp; Odean (2008)</li> </ul> <p>Presenter: Student 4</p>
<b>16</b>	<p><b>Credit cards and regulation</b></p> <p>Reading:</p> <ul style="list-style-type: none"> <li>• Agarwal et al. (2015)</li> </ul> <p>Presenter: Student 5</p>

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## Professor's Biography

Xavier Vives is professor of Economics and Finance, Abertis Chair of Regulation, Competition and Public Policy, and academic director of the Public-Private Research Center at IESE Business School. He holds a Ph.D. in Economics from UC Berkeley.

He is Research Fellow of CESifo, and was member of its European Economic Advisory Group from 2001 to 2011. Research Fellow of the Center for Economic Policy Research, where he served as Director of the Industrial Organization Program in 1991-1997. Fellow of the Econometric Society since 1992 and elected member of its Council in 2006-2008; of the European Economic Association since 2004 and elected member of its Council 1991-1995; and Research Associate of the European Corporate Governance Institute. President of EARIE for 2016-2018. From 2010 to 2015 he served in the Advisory Board for Economic Recovery of the Government of Catalonia and from 2011 to 2014 he was Special Advisor to the Vicepresident of the European Commission and Commissioner for Competition, Mr Joaquín Almunia.

From 2001 to 2005 he was Professor of Economics and Finance and The Portuguese Council Chaired Professor of European Studies at INSEAD, and from 1991 to 2001, Director of the Institut d'Anàlisi Econòmica, CSIC. He has taught at Harvard University, Universitat Autònoma de Barcelona, Universitat Pompeu Fabra, the University of California at Berkeley, the University of Pennsylvania, and New York University (King Juan Carlos I Chair). From 2003 until 2013, he was member of the Economic Advisory Group on Competition Policy at the European Commission.

His fields of interest are industrial organization and regulation, the economics of information, and banking and financial economics. He has published in the main international journals and is the author of *Information and Learning in Markets: the Impact of Market Microstructure* (Princeton University Press, 2008), *Oligopoly Pricing: Old Ideas and New Tools* (MIT Press, 1999), editor of *Competition Policy in Europe: Fifty Years on from the Treaty of Rome* (OUP, 2009), *Corporate Governance: Theoretical and Empirical Perspectives* (CUP, 2000), and co-editor of *Capital Markets and Financial Intermediation* (CUP, 1993). He has been editor of the *International Journal of Industrial Organization* in 1993-1997, of the *Journal of the European Economic Association* in 1998-2008 and currently he is editor of the *Journal of Economic Theory* and co-editor of the *Journal of Economics and Management Strategy*.

His current research interests include dynamic rivalry, innovation and competition, banking crisis and regulation, information and financial markets, and competition policy.

He has received several research awards: King Juan Carlos I Prize in 1988; the Catalan Society for Economics Prize in 1996; the Narcís Monturiol Medal in 2002; the Catalonia Economics Prize in 2005; a European Research Council Advanced Grant in 2008 and in 2017, the Jaime I Prize in Economics in 2013 and the Spanish National Research Prize in 2020. He is member of the Institut d'Estudis Catalans since 2011 and of the Academia Europaea since 2012.

Dr. Vives has been an advisor and consultant on competition, regulation, and corporate governance issues for the World Bank, the Inter-American Development Bank, the European Commission, the Federal Reserve Bank of New York, as well as for major international corporations. He has been a member of the board of CaixaBank from 2008 to 2020. He is a columnist for *La Vanguardia* and *Project Syndicate*, and occasionally for *Expansión*, *El País*, *VoxEU*, *Financial Times* and *The Wall Street Journal*.