Behavioral Industrial Organization

Date and Time: Wednesdays, 16:00-17:45, Lennestr. 37, Seminarraum 2. Stock, starting October 12th, 2011

Outline: Behavioral economics has introduced psychological complexity into the standard (“rational”) economic framework of individual decision making, with the goal of explaining observed puzzles as well as improving the predictive power of models. The classical approaches to industrial organization treated demand in a highly reduced form – therefore this field is a natural candidate for extending our understanding, with questions such as: How do “rational” firms interact with “behavioral” consumers? Should one expect them to exploit systematic biases and which predictions can be made? Which observed market phenomena can be explained by this form of reasoning, but not by so-called rational models? Do market forces eliminate the relevance of behavioral biases? In this course, we will study the recent Behavioral IO literature, focusing on the application of established psychological/behavioral concepts of decision making to IO environments.

Suggested Background Reading


Loss Aversion and Reference-Point Dependent Preferences


Time-inconsistent consumers


Markets with boundedly rational or differentially informed consumers


**Overconfidence**


**Attention/inattention**


**Behavioral decision-making by firms**


**Other**

