

HIS350R, Spring 2013
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Irrationality in US Economic History

Week	Date	Assignment
1	1/14	Introduction
2	1/21	Martin Luther King, Jr., Birthday (no class) Max Bazerman and Don Moore, <i>Judgment in Managerial Decision Making</i> , 7 th edition, chapter 2, pp. 13-41.
3	1/28	Heuristics, biases, and consumers Daniel Kahneman, <i>Thinking, Fast and Slow</i> , pp. 109-146. Dan Ariely, <i>Predictably Irrational</i> , chapters 1-2, pp. 1-53. Nancy F. Koehn, <i>Brand New</i> , chapter 2, p. 11-42, available in course packet.

Paper #1 is due in class at the start of class.

4	2/4	Framing Daniel Kahneman, <i>Thinking, Fast and Slow</i> , chapter 34, pp. 363-374. Max Bazerman and Don Moore, <i>Judgment in Managerial Decision Making</i> , 7 th edition, chapter 4, pp. 62-83. Naomi R. Lamoreaux, "Reframing the Past: Thoughts about Business Leadership and Decision Making under Uncertainty," <i>Enterprise & Society</i> 2 (Dec. 2001): 632-59; see instructions under item 17. Thomas K. McCraw, <i>Prophets of Regulation</i> , pp. 222-226, and 259-299, available in course packet.
5	2/11	Public Policy Richard H. Thaler and Cass R. Sunstein, <i>Nudge: Improving Decisions about Health, Wealth, and Happiness</i> , Introduction and chapters 1-2, pp. 1-52; chapter 6, pp. 105-119; chapters 10-11, pp. 161-184; and chapter 17, pp. 239-254. Jacob Hacker, <i>The Divided Welfare State</i> , pp. 221-243, available in course packet.

Paper #2 is due in class at the start of class.

6 2/18 Social Norms and Market Norms: a case study of welfare capitalism
 Dan Ariely, *Predictably Irrational*, chapter 4;
 Lizabeth Cohen, *Making a New Deal*, chapter 4; available in course packet.
 Gerald Zahavi, *Workers, Managers, and Welfare Capitalism*, chapter 2, 37-53, and chapter 6, 150-176; available in course packet.
 Listen to NPR story, "The Legacy of George F. Johnson and the Square Deal": google NPR and George F. Johnson, December 1, 2010.

7 2/25 Expectations; stereotypes; discrimination
 Dan Ariely, *Predictably Irrational*, chapter 10;
 Barbara Welke, *Recasting American Liberty*, 43-124.

Paper #3 is due in class at the start of class. **Peer Evaluation**

8 3/4 Dysfunctional Corporations: the case of railroads
 Alfred Chandler, *The Visible Hand*, pp. 1-12; available in course packet.
 Richard White, "Information, Markets, and Corruption: Transcontinental Railroads in the Gilded Age," *Journal of American History* 90 (Jun., 2003): 19-43; see instructions under item 18.
 Richard White, *Railroaded*, Introduction, pp. xxi-xxxiv, and pp. 230-269, available in course packet.
 Frank Norris, *The Octopus*, selected pages, available in course packet.

Revised Paper #3 due in class at the start of class.

9 3/11 Spring Break

10 3/18 Management Decisions
 Max Bazerman and Don Moore, *Judgment in Managerial Decision Making*, 7th edition, chapter 5, pp. 84-100, and chapter 6, pp. 101-112.
 Paul Ingrassia, *Crash Course: The American Automobile's Road from Glory to Disaster*, chapters 5-6, 10-12.
 Glenn Beamer and David E. Lewis, "The Irrational Escalation of Commitment and the Ironic Labor Politics of the Rust Belt," *Enterprise & Society* 4 (Dec. 2003): 676-706; see instructions under item 19.

11 3/25 Fear and Loss Aversion
 Daniel Kahneman, *Thinking, Fast and Slow*, chapters 27-28, pp. 289-309.
 George A. Akerlof and Robert J. Shiller, *Animal Spirits*, chapter 6, pp. 59-73, available in course packet.
 Scott A. Sandage, *Born Losers*, Prologue and chapters 1-3, pp. 1-98.

- 12 4/1 Fairness
 Max Bazerman and Don Moore, *Judgment in Managerial Decision Making*, 7th edition, chapter 7, pp. 113-135.
 Daniel Kahneman, Jack L. Knetsch, and Richard Thaler, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *American Economic Review* 76 (Sep., 1986): 728-41. Available on JSTOR, see instructions under item 20.
 Alice Kessler-Harris, *The Pursuit of Equity*, pp. 170-202, available in course packet.
- 13 4/8 Overconfidence and Blunders / Research in Business History
 Daniel Kahneman, *Thinking, Fast and Slow*, pp. 199-269.
 David Greising, *I'd Like the World to Buy a Coke*, 110-38; available in course packet;
 Robert Shiller, *Irrational Exuberance*, pp. 106-109 & 112-115, available in course packet;
 Robert Sobel, *The Great Bull Market*, pp. 36-48, available in course packet;
 David Kennedy, *Freedom From Fear*, pp. 10-42, available in course packet.

Rewritten papers are due by April 8 in class at the start of class.

- 14 4/15 Research / individual meetings, Garrison 3.114
- 15 4/22 Corporate Fraud
 Bethany McLean and Peter Elkind, *The Smartest Guys in the Room*, pages 27-43, 60-61, 66-67, 70-84, 94-95, 127-131, 150-170, 189-211, 218, 227-228, 229-245, 313-336, and 352-377.
 Paul M. Healy and Krishna G. Palepu, "The Fall of Enron," *Journal of Economic Perspectives* 17 (Spring 2003): 3-26; available through JSTOR, see instructions under item 21.
- 4/28 **** **Paper #4** is due April 28. Please note: This paper differs from your previous papers; see instructions under item 5. You should upload your 4th paper to the forum on the Discussion Board of Blackboard by 1 pm on April 28 so that other students may read your paper. In case you run into trouble uploading your paper, you can contact the ITS Help Desk on Sunday from 12 to 5 pm. 475-9400.
 Bring a paper copy to class on Monday.
- 16 4/29 Irrationality in U.S. Economic History; semester wrap-up
 Cordelia Fine, "Biased But Brilliant," *New York Times* (July 30, 2011), Available on-line: google Cordelia Fine New York Times Confirmation Bias Collection of cartoons from the age of industrialization

Course requirements

1) Goals: Irrationality is most associated with a new field of scholarship called behavioral economics. Although the name “behavioral economics” implies a sub-discipline based in economics, two psychologists—Daniel Kahneman and Amos Tversky—pioneered the field. (In 2002, Kahneman received a Nobel Prize in Economics for their contributions.) Today, practitioners can be found in many disciplines, including psychology, economics, law, history, public policy, finance, marketing, and other fields. Behavioral economics is noteworthy for its concepts to characterize cognitive behavior that may not fit the assumption of rationality. These scholars have used these concepts to study a wide range of topics, including managerial judgments, fairness, corporate fraud, stereotypes, and social norms as compared to market norms. As a history course, students will read materials that introduce the behavioral economists’ concepts but also include historians’ treatment of subjects as well.

2) This seminar depends on your efforts to read the assignments carefully. For each week, please complete all assigned pages by the start of class. As part of class discussion, I will call on students. I expect all students to take part in the discussions.

3) Grades: You are required to write four short (four-page) essays. Each essay counts for 20 percent of your final grade, or a total of 80% of your final grade. Class participation counts for 20% of your final grade. You are required to attend class and take part in discussions. **Final grades will not include pluses and minuses.** Late papers will be penalized a full letter grade for each day that the paper is late until 20 points have been deducted from the original grade. Arriving late to class will result in grade penalties to your class discussion grade.

4) Papers: All students must complete four essays in order to pass the course.

Each essay will be four pages in length, double spaced, with a 12-point font, and one-inch margins. You are required to number your pages and title the paper. Please staple the pages together. Papers will be penalized for failure to follow these guidelines.

Papers are due for the particular week in which we discuss the assignment. The papers are due at the start of class. For example, a paper about public policy and the book *Nudge* will be due on February 11 at the start of class. You are required to submit a paper copy in class. I do not accept electronic copies. Penalties will be imposed for arriving late to class.

It is acceptable to compare a reading for the assigned week to a previous reading. For example, you could compare Thaler and Sunstein to Kahneman. You are not permitted to write solely about readings from previous weeks. Again, using the week of February 11 as an example, you are required to base a good part of your essay on the readings required for this week—either Thaler and Sunstein’s *Nudge* or Hacker’s chapter on health care policy.

Your papers should be well written and well organized. The essays should provide a succinct statement of the author's intentions or thesis or main argument. Then the essay should comment on or criticize the author's study. Criticism can take many different forms. A student can criticize the author's argument (disagree with the author); find fault with the author's use of sources; reflect on new insights or unintended consequences that follow from the author's analysis. A student may also evaluate a key concept, such as anchoring, that the author uses in framing his or her study. As we read more books, you may also write essays comparing a current author's work with a previous reading assignment.

It is important to keep in mind that I am not looking for a summary of a book or an article. Any summary should be kept to a few sentences. I am interested in your critical view of the assigned material.

Students sometimes write a paper about the short assignments. This is okay, but I would like most of your essays to focus on the longer assignments from the individual books.

You are not permitted to write papers solely based on Dan Ariely's *Predictably Irrational*. You may compare Ariely to another author, but you are not allowed to write only on your reaction to Ariely.

You may wish to read your books on an electronic reader. Please keep in mind that you will need to provide specific page citations when writing your papers.

I do not accept papers as email attachments. You are required to turn in a paper copy on the due date. If you want me to read a draft in advance of class, you will need to provide me with a paper copy.

If you want to interview someone for one of your papers, you will need to see me prior to conducting the interview.

5) Instructions for Paper #4, due April 28.

You are asked to review material covered in the semester and propose either 1) a historical project to undertake based on concepts grounded in behavioral economics; or 2) an experiment to test a question or objection you have had with some aspect of behavioral economics. Your paper should introduce a particular topic for investigation; it should review a scholarly debate; and it should suggest how this debate could be examined in more detail either through historical research or through an experiment.

Please note: you are required to cite at least **two** outside sources and provide a bibliography of your sources.

This essay will be four pages in length, double spaced, with a 12-point font, and one-inch margins. You are required to number your pages and title the paper. Papers will be penalized for failure to follow these guidelines.

Note the deadline: You will need to upload your paper to Blackboard by 1 pm on Sunday, April 28. This deadline is to give other students time to read your paper. We will discuss the essays in class on Monday.

Please bring a paper copy with you to class.

6) Rewrites: Students may rewrite one of their first three papers. The rewritten paper is due by April 8 in class. You may turn in a rewritten essay well in advance of this deadline and I encourage you to rewrite a paper soon after the first version is returned

to you. If a student rewrites a paper, then the grade for the revised essay will replace the original grade. Please note: students are not permitted to delay writing a paper and turn it in as a rewritten essay. If you choose to rewrite an essay, you will need to turn in the original paper (with my comments) along with the revised version.

7) Class participation: Students are required to attend class and participate in discussions. Class discussion counts for 20 percent of each student's final grade. Please note: students are permitted to miss one class without penalty. But after one missed class, students will be penalized for missing class. If a student is ill, then he or she needs to provide a notice from a medical provider. Arriving late to class will result in penalties to your class discussion grade.

To encourage class participation, I require that all students email me by 1 pm on the day of class one or two questions about the assigned readings for each week of the semester. Please note: You need to ask a **question**. My email address is sclarke@austin.utexas.edu. We will address some or all of the questions during our class discussions. In addition, you may also highlight a particular passage in a book that caught your attention.

Students often ask how class discussion grades are assigned. Simply coming to class is not sufficient to earn a high mark. Part of the grade will be based on the questions you submit. A critical part of the grade is your active participation in terms of thoughtful comments that probe the assigned readings. (I am not looking for random comments about current issues, but rather comments that focus on the assigned readings. Those comments may reflect on current events but they must demonstrate a careful understanding of the readings.) In addition, I reward students who listen and respond to other students.

I expect all students to participate in class discussions. I will call on students periodically. I may also conduct writing assignments in class to test students' comprehension of the materials.

8) Students are responsible for all material covered in class, including any changes made to the syllabus during class.

9) To pass the course, students must complete all four essays.

10) The syllabus and other materials may be available through Blackboard. If you are unfamiliar with Blackboard, contact the ITS Help Desk at 475 9400.

11) Required books will be available on PCL reserves, as noted, and also at the University Coop. In case you want to buy your books through a different vendor, here are the titles and related information.

Dan Ariely, *Predictably Irrational: The Hidden Forces That Shape Our Decisions*. New York: HarperCollins, Revised and Expanded Edition, 2009. NOTE: The chapters for the first edition are different than the revised and expanded edition. You need to buy the revised and expanded edition. CN: BF 448 A75 2010

Max Bazerman and Don Moore, *Judgment in Managerial Decision Making*, 7th edition

CN: HD 30.23 B38 2009

Daniel Kahneman, *Thinking, Fast and Slow*. CN: BF 441 K238 2011

Paul Ingrassia, *Crash Course: The American Automobile's Road from Glory to Disaster*, 2010. CN: HD 9710 U52 I55 2010

Richard Thaler and Cass Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness*. New York: Penguin, 2009. Note: Revised and expanded edition. CN: HB 74 P8 T53 2008

Bethany McLean and Peter Elkind, *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron*. New York: Penguin, 2004. CN: HD 9502 U54 E5763 2003

Scott A. Sandage, *Born Losers*. CN: HN 90 M6 S25 2005 Note: Sandage's book is available through the library as an electronic book.

Barbara Welke, *Recasting American Liberty* CN: HE 2757 W45 2001

In addition to the books, you are required to read materials in a course packet. UT Copy sells the course packet and is located at GSB 3.136. The store is open Monday through Friday from 8 am to 5 pm. The phone number is 471-8281. GSB floor numbering is a bit odd. The third floor may appear to be the second floor.

12) Please follow these rules: turn off all electronic devices in class, including cell phones and laptops. We will take a break about half way through the class so you can check your cell phones then. Also, please do not leave class and return during the middle of discussions.

13) Late papers will be penalized a full letter grade (10 points) for each day that they are late until 20 points have been deducted. Simply forgetting to turn in a paper is not a viable excuse. Any medical excuse requires a detailed letter from your doctor.

14) No prior courses in History are required for this course.

15) Citations for Papers. Students must provide complete citations for information in their papers. If you quote an author, you need to cite the article or book and give the page or pages for the quotation. **Or, if you refer to a general argument or idea developed by an author, you still need to cite the author.**

For the assigned readings on this syllabus, you may use an abbreviated method of citation. At the end of the sentence, you will need to give the author's last name and the page or range of pages for the information. For example: (Kahneman, 12-14).

If you cite a source not on the syllabus, then you need to provide a complete footnote, including the author's first and last names, the title of the book, the place of publication, the publisher, the date of publication and the range of pages cited. If the outside source is an article, then you need to cite the author's first and last names, the title of the article, the journal's title, the date, and the range of pages. If you visit a web site, then you must provide a footnote with the author and the title of the publication as well as the complete URL and the date that you visited the site.

If you want to conduct personal interviews for a paper, you need to see me in advance of the interview.

Be careful in citing **book titles**. They should be underlined or italicized. Chapter titles should be set off in quotation marks.

16) The Undergraduate Writing Center, located in FAC, is open to students. You are encouraged to have the staff at this center review drafts of your papers.

17) To access the article by Naomi R. Lamoreaux, go to the library's homepage: www.lib.utexas.edu. Above the scoUT box select Journals. Type *Enterprise & Society*. In the next window, select Oxford University Press (OUP) Journals. Select 2001 and then select December. You can open the Lamoreaux essay as a pdf file and print it.

18) To access the article by Richard White, go to the library's homepage, www.lib.utexas.edu. Select Research Tools and then select "Find Articles Using Databases." In the A-Z listing, select J and then JSTOR. When the JSTOR window opens, select advanced search below the search box. In the new window, type: White in the first box; Information in the second box. Select the box for articles. For date range, type 2003 to 2003. For Publication title, type: Journal of American History. The article will appear as a pdf file, which you can print.

19) To access the article by Glenn Beamer and David Lewis, go to the library's homepage: www.lib.utexas.edu. Above the scoUT box, select Journals. Type *Enterprise & Society* into the search box. In the next window, select Oxford University Press (OUP) Journals. Select 2003 and December. The essay may be viewed as a pdf file and printed.

20) To access the article by Daniel Kahneman, Jack Knetsch, and Richard Thaler, follow these instructions. Go to the main library's homepage, www.lib.utexas.edu. Under Research Tools, select "Find Articles Using Databases." Look at the alphabetical listing and under "J" select JSTOR. Click Advanced Search. In the blank box, type the author's name and next to this box change the text that reads "full text" to "author." In the blank box, type: Kahneman. Next to the blank box, change "full-text" to "author." Under "Item Type": click article; under dates, type from: 1985 and to: 1987. Under Publication Title, type: American Economic Review. Then click the search button. One article will appear entitled "Fairness as a Constraint on Profit Seeking." You can view it as a pdf file and print it.

21) To access the article by Healy and Palepu, go to the library's homepage: www.lib.utexas.edu. Under Research Tools, select "Find Articles Using Databases." Look at the alphabetical listing and under "J" select JSTOR. Click Advanced Search. In the blank box, type the author's name (Healy or Palepu) and next to this box change the text that reads "full text" to "author." Under "Item Type": click article; under dates, type from: 2003 and to: 2003. Under Publication Title, type: Journal of Economic Perspectives. Then click the search button. The article will appear, "The Fall of Enron," and you can view it as a pdf file. You can also print a copy of the article.

22) Students with disabilities may require special accommodations. If you need accommodations, please see me at the start of the semester. You may also contact the

Division of Diversity and Community Engagement, Services for Students with Disabilities, 471-6259, or at <http://www.utexas.edu/diversity/ddce/ssd/>. UT is committed to helping students with disabilities, so please ask for help at the beginning of the semester.

23) The UT policy regarding religious holidays permits students to be absent from class on holy days. Should you be absent because of a religious holy day and should this day fall on a date that a paper is due, please notify me 14 days in advance of your absence. You then will be allowed to turn in the assignment at another time.

24) The Office of Campus Safety and Security sponsors the following website for emergencies:

<http://www.utexas.edu/safety/>

You should learn the exits from this classroom and from the building. **If you require any kind of assistance in order to leave during an emergency, please notify me in writing before the end of the first week of this semester.**

There is also another website for information regarding emergencies:

<http://www.utexas.edu/emergency>

You can read about preparations for emergencies at

<http://www.utexas.edu/safety/preparedness>

25) The University maintains a “Behavior Concerns Advice Line (BCAL)” and you can call these advisors at 512 232-5050. BCAL is supported jointly by the Office of the Dean of Students, the Counseling and Mental Health Center (CMHC), the Employee Assistance Program (EAP), and The University of Texas Police Department (UTPD). Its web site is <http://www.utexas.edu/safety/bcal>.

26) Inspired by the Texas Higher Education Coordinating Board, the University has articulated four “core objectives”: “critical thinking skills, communication skills, personal responsibility, and social responsibility.” In meeting these objectives, you will develop analytical skills in writing your papers; you will hone your communication skills in writing papers and taking part in class discussions; you are asked to take individual responsibility in terms of class attendance and academic honesty; and you can think seriously about social responsibility in terms of the social interactions of individuals and groups of people, whether informally or through formal political organizations, as they have navigated economic challenges.

27) The University wants students to be aware of other resources. They include:

Sanger Learning and Career Center: <http://lifelearning.utexas.edu/>

Undergraduate Writing Center: <http://uwc.utexas.edu/>

Counseling & Mental Health Center: <http://cmhc.utexas.edu/>

Career Exploration Center: <http://www.utexas.edu/student/careercenter/>

Student Emergency Services: <http://deanofstudents.utexas.edu/emergency/>

28) In case you want to Q-Drop this course, the official policy is to restrict these types of drops to six when taken for “academic reasons.” The official statement reads:

“Beginning with the fall 2007 academic term, an institution of higher education may not permit an undergraduate student a total of more than six dropped courses, including any course a transfer student has dropped at another institution of higher education, unless the student shows good cause for dropping more than that number.”

29) Veteran students may want to visit the website sponsored by the Dean of Students: <http://deanofstudents.utexas.edu/veterans/> or <http://www.utstudentveteranservices.org>

30) The History Department maintains a blog. Visit online: <http://www.notevenpast.org/>

31) This course carries the writing flag. The Texas Higher Education Coordinating Board requires that such courses address “core objectives,” including teamwork; the University interprets this objective as including exercises designed “to consider different points of view and to work effectively with others to support a shared purpose or goal.”

32) The University of Texas Honor Code: “The core values of The University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the university is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community.”