

Bowdoin College, Department of Economics
ECON 3561: Behavioral Economics and Socially Responsible Capitalism
Spring 2026

Time & Class Location: M, W 11:40-1:05, VAC 303

Professor: Dan Stone

Email: dstone@bowdoin.edu (feel free to email me questions)

Office & Drop-in Hours: Hubbard 108; T, R 2:15-3:45. If you'd like to meet and can't make it at those times, don't hesitate to email to set up an appointment.

Prerequisites: Intermediate micro (Econ 2555). Statistics (Econ 2557) or equivalent is recommended.

Course description and learning goals:

The goals of this course are for students to learn both 1) the major concepts and models of behavioral economics, and 2) key theories of socially responsible capitalism (SRC), and evidence for these theories (or lack thereof) through the lens of behavioral economics.

Behavioral economics is the study of violations of the standard, a.k.a. neoclassical, economic theory assumptions that individuals form optimal beliefs given available information and optimize stable and purely self-interested objective functions. Behavioral economics often consists of the study of people's mistakes—but not always. Humankind's failure to be purely self-interested—that is, our interest in helping other people and more generally, our desire to be morally good and to appear good—are “behavioral” characteristics that are, at least *prima facie*, socially beneficial. SRC is fundamentally related to these aspects of human nature. However, SRC can take many forms, and it is far from clear which of these are most effective, or are at all effective, in serving society's goals.

SRC, and related concepts and terms like corporate social responsibility, ESG investing, impact investing, stakeholder capitalism, and human rights principles for business are defined in many ways, but ultimately most of these definitions boil down to the idea that firms should consider and account for their impacts on society overall beyond a narrow view of profit maximization. Some people argue that firms should consider these impacts even if this comes at the firms' expense and prevents them from maximizing long run profits, and some argue that firms should account for stakeholder impacts because doing so is necessary for long-run profit maximization. In fact, a major question in SRC is “to what extent does doing good lead to doing well?”—how are long run profits affected by stakeholder-driven actions reducing profits in the short run?

Behavioral economics questions related to SRC that we will try to address in this course are:

- 1) To what extent are firm owners, workers, and consumers purely altruistic, reciprocally altruistic, or otherwise socially minded—willing to reduce their own private material well-being in exchange for improved societal outcomes?
- 2) To what extent are economic and social outcomes improved when individual economic actors attempt to be socially minded?
- 3) What are the roles of ego and image concerns—the desires to *appear* socially minded—in driving SRC behaviors and outcomes? Are image concerns socially beneficial or harmful?
- 4) How are SRC and the “mistakes” part of behavioral economics related: is it “socially irresponsible” for firms to exploit consumers' behavioral biases and mistakes to increase profits?

Other major behavioral economic topics that we will cover in this course (in addition to the topics of altruism and social image concerns) are: biases in belief updating (weeks 1-3), violations of expected utility theory, framing effects, present bias, and limited strategic thinking (weeks 4-7). We'll cover social learning, image concerns, and social preferences (altruism, fairness, etc) in weeks 8-9, and focus on SRC after that. Since behavioral economics extends standard economics (and does not replace it), this course will also serve as a review of major topics and models from standard microeconomic theory.

In addition to thinking about what roles businesses and consumers can and do play in contributing to society, I hope the behavioral economics parts of this class help you better understand behavior you encounter in everyday life—why people act in seemingly puzzling ways—and to help you better understand, and improve, your own judgment and decision-making. A final learning goal for the class is that I hope it will help improve both your oral and written communication skills, and comfort participating in large group discussions.

Format: Approximately the first two thirds of this course will cover behavioral economics in general and in the last third of the course we'll focus on SRC. In the last few weeks you will work on a research project on a topic related to SRC, culminating in writing an approximately 10-page research paper. In a nutshell, you will do an in-depth study of a specific topic of your choice related to SRC, in which you apply and expand on material we've learned throughout the term and material you've learned in other economics classes. Relevant deadlines are on the course schedule below, and more details TBA.

Since this is a seminar class, you will be expected to participate in class discussions on a regular basis. This will enhance your class experience and learning – the more you participate, the more engaged and focused you'll be; you'll learn more, and you'll help others (and me) learn more. There will also be three in-class quizzes to assess, and incentivize, how well you're keeping up throughout the semester, and short reading quizzes.

The schedule of readings is below – you should refer to this to know what to read for each class, though I may make modifications, which I'll communicate by email with ample notice. I will ask you to post comments on Canvas for some readings. More info on how participation grades are determined to come.

Grading and communication/feedback:

Your course numeric grade will be calculated as a weighted average as follows:

Participation/reading	20% (10% for each half of semester)
Quizzes	50% (12.5%, 18.75%, 18.75% for quizzes 1, 2, 3)
Paper outline	5%
Presentation	5%
Paper	20%

I use a 10-point scale for letter grades with 3 point increments for pluses and minuses ($\geq 93.0 = A$; 90.0 to $< 93.0 = A-$, 87.0 to $< 90 = B+$, etc) with the potential for some grades being curved upward. I will discuss participation grade criteria and it is possible this could include short reading quizzes. Don't hesitate to come to my office hours or set up an appointment any time you'd like to discuss anything or if you feel you need additional feedback. If you have questions on how you are doing grade-wise during the semester, let

me know. All course documents and grades will be posted to Canvas or emailed to you. I'll provide you with an online form to provide anonymous (constructive!) feedback *to me* throughout the semester.

Books

The required books for this class are:

Misbehaving, Richard Thaler, 2015 (2017 Econ Nobel laureate)

Higher Ground, Alison Taylor, 2024

We will also read selections that I will provide from several additional books likely including: Behavioral Economics, Andrea Robbett, 2025 (preliminary draft – chapters shared w permission of author); Scout Mindset (Julia Galef – Econ PhD dropout!, 2021), Phishing for Phools (Akerlof and Shiller, 2015), Nudge: The Final Edition (Thaler and Sunstein, 2021); Reimagining Capitalism in a World on Fire, Rebecca Henderson, 2019; Thinking, Fast and Slow, Daniel Kahneman, 2011; Woke, Inc, Vivek Ramaswamy, 2021; The New Reason to Work, Ilaina Rabbat and Roshan Paul, 2021; Sustainable: Moving Beyond ESG to Impact Investing, Terrence Keeley, 2022 (Bowdoin HLL online).

Articles (PDFs or links on Canvas or distributed by email or just google for title)

Articles that I'll either ask you to read or correspond closely to material that we are covering:

Allcott, H. et al (2026). The Effects of Regulating Greenwashing: Evidence from Europe's Sustainable Finance Disclosure Regulation (SFDR). Working paper

Allcott, H., et al (2025). An economic view of corporate social impact. *Journal of Finance*.

Andries, M. et al (2025). In their shoes: empathy through information. WP.

Bénabou, R. and Tirole, J., 2010. Individual and corporate social responsibility. *Economica*.

Bursztyn, L. and Jensen, R. "Social Image and Economic Behavior in the Field: Identifying, Understanding, and Shaping Social Pressure." *Annual Review of Economics*, 2017.

Dolsak, Nives and Aseem Prakash. "The rise and fall of ESG." *Forbes*, 4-23-2024.

Fehr, E. and Charness, G. "Social Preferences: Fundamental Characteristics and Economic Consequences." *Journal of Economic Literature*, 2026.

Frederick, Loewenstein and O'Donoghue. "Time Discounting and Time Preference: A Critical Review." *Journal of Economic Literature*, 2002.

Gelles, D. "How Wall Street Turned Its Back on Climate Change." *New York Times*. 1-17-2026.

Hart, O. and Zingales, L., 2017. Companies Should Maximize Shareholder Welfare Not Market Value. *Journal of Law, Finance, and Accounting*.

McCarthy, A. "The Cult of Liquid Death." *Eater*, 1-19-24.

Rabin and Thaler. "Anomalies: Risk Aversion." *Journal of Economic Perspectives*, 2001.

Williams, Dan. "Conspicuous Cognition." 1-1-2024. Blog post.

Yglesias, Matt. "Capitalism needs honor and ethics." 10-2-2025. Substack.

Please sign up for the JUST Capital Weekly newsletter: <https://justcapital.com/newsletter/>

Course schedule and readings (subject to change; readings are required unless noted otherwise)

Part I: Non-standard belief formation

- 21-Jan Syllabus, intro to BE; 2 systems/psych 101 (Robbett Ch 1 through 1.2)
26-Jan Law of small numbers/ gambler's fallacy/hot hand bias, Bayes' rule (Robbett Ch 3 intro, 3.1, 3.2.4, 3.2.5, 3.2.6, 3.3 through 3.3.1; Kahneman, ch 10)
28-Jan Other heuristics and biases: anchoring, availability, representativeness, conj fallacy, reg to mean (Robbett 1.2.3, 3.2.1-3.2.3, 3.3.2, Thaler p.205-209 (to "Keynes is now remembered...") and ch 22)
2-Feb WYSIATI, overprecision (Robbett 3.3.6-3.4.1; optional: DFW "This is Water")
4-Feb Overoptimism and motivated reasoning (Robbett 3.5, Galef chs)
9-Feb **Quiz 1**

Part II: Non-standard decision-making

- 11-Feb EU theory review; reference dependence, loss aversion, endowment (Kahneman chs 25-26)
16-Feb Prospect theory; decision weighting; fourfold pattern (Robbett 4.4-4.4.2, 4.4.4; Thaler chs 2-4)
18-Feb Framing, mental accounting, narrow framing, nudges (Robbett 4.5.1-2, Thaler, chs 8-9; Robbett ch 10 up to 10.3.1)
23-Feb Intertemporal choice, present bias (Thaler, chs 11-12; optional: Frederick et al)
25-Feb Present bias ctd; game theory (Robbett ch 6 through 6.1.1, 6.3-6.3.1, 6.4-6.4.1)
2-Mar Games ctd; catch-up (McCarthy)
4-Mar **Quiz 2**

Spring break (!)

Part III: Social interactions and SRC

- 23-Mar Social learning and influence (Nudge ch 3; Bursztyn and Jensen, 2017 sections 1-2)
25-Mar Social pressure ctd; start social preferences (Robbett, 1.3.3, Fehr & Charness parts tbd)
30-Mar Social preferences ctd: summing up human nature (info effects on altruism, self-image, social image, moral licensing) (Thaler, p.125-6 chs 14-15; Fehr & Charness 3.4; Andries et al intro;)
1-Apr Economic perspectives on SRC: JEP 2012, Benabou and Tirole, Hart and Zingales (section 1),
6-Apr History, methods, measures: consumer certifications, SRI, divestment, activist investing, ESG, SFDR (Keeley ch 2-3; Dolsak and Prakash; Taylor Intro, chs 1-2; Gelles; optional: Allcott et al, 2026)
8-Apr Business examples, critiques, alternative views (Henderson chs; Ramaswamy chs; Yglesias)
13-Apr Higher Ground part 1 (Taylor Part II); an economic view of impacts (Allcott et al 2025 intro)
15-Apr Higher Ground part 2 (Taylor Part III & conclusion); Zoom meeting with Taylor
20-Apr **Quiz 3**
22-Apr Linnea Minich (research librarian) visit, Roshan Paul meeting and/or other topic(s)
Paper topic approval deadline: April 23, 5pm
27-Apr Working class; **paper outline due end of class**
Apr 29, May 4, 6: Student presentations

Final exam date, 5/12, 1:30pm: **final paper due**