

# **Emotional Realities and Economic Modeling: Some First Principles**

**A Mini-Course  
June 28-29 2010**

**The Center for Emotional Economics  
University of Mainz**

**Andrew Caplin, New York University**

I will be giving four lectures and presenting one seminar over the two days on the broad theme above. The lectures have a large personal component, in that I will speak about the work in the area with which I am most familiar and that most closely matches my interests. For better or worse, this is work in which I have been directly involved, as the reading list indicates. Mark Dean and John Leahy are long-time collaborators in this research. Other current or past NYU colleagues who are working in this broad area are Marina Agranov, Sen Geng, Paul Glimcher, Daniel Martin, Robb Rutledge, and Chloe Tergiman.

The focus in the lectures will be at least as much methodological as substantive. The first lecture presents a direct approach to modeling emotions. The second pinpoints a methodological challenge and suggests a different approach to modeling. The seminar itself provides a first example of this approach in practice, while lecture 3 presents a second such example. Lecture 4 returns to the theme of emotional economics by posing three as-yet unanswered question. First, will it prove fruitful to capture important emotional phenomena using the preferred methodology, in which theory and data are jointly determined and therefore co-evolve? If the answer to the first question is in the affirmative, the natural follow-up question concerns the context in which such efforts will be most likely to bear fruit. Finally, even if such an area can be identified, the question of when the first such projects will be designed and completed remains to be answered.

- Lecture 1: Anxiety and Choice
  - “Fear as a Policy Instrument”, in *Time and Decision*, edited by R. Baumeister, G. Loewenstein and D. Read, Russell Sage, New York, 2003.
  - “Psychological Expected Utility Theory and Anticipatory Feelings,” (with John Leahy), *Quarterly Journal of Economics*, 2001, 55-80.
  
- Lecture 2: Economic Theory and Psychological Data: Bridging the Divide
  - “Economic Theory and Psychological Data: Bridging the Divide”, in A. Caplin and A. Schotter, eds., *Foundations of Positive and Normative Economics, Methodologies of Modern Economics, Volume 1*, Oxford University Press, 2008.
  - “The Supply of Information by a Concerned Expert,” (with John Leahy), *Economic Journal*, 487-505, 2004.
  
- Seminar: Search, Choice, and Revealed Preference
  - “Search, Choice, and Revealed Preference,” with Mark Dean, forthcoming *Theoretical Economics*, 2010.
  - “Search and Satisficing,” with Mark Dean and Daniel Martin, mimeo., 2010.
  
- Lecture 3: Dopamine and Reward Prediction Error
  - “Measuring Beliefs and Rewards: A Neuroeconomic Approach”, with Mark Dean, Paul Glimcher, and Robb Rutledge, forthcoming *Quarterly Journal of Economics*.
  - “Dopamine, Reward Prediction Error, and Economics”, with Mark Dean, *Quarterly Journal of Economics*, Vol. 123, No. 2, Pages 663-701, 2008.
  
- Lecture 4: Emotional Economics: Can Theory and Measurement Co-Evolve?