Syllabus-Econ 333-Behavioral Economics

Professor: Ben Ho, Vassar College  
Spring 2015

Office Hours:  
Tuesday/Thursday 2:45-4:15pm (and by appointment)  
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Course website: on moodle

Overview

This course will introduce students to the field of behavioral economics—the subfield of economics that uses economic tools coupled with insights from psychology to better understand human behavior. The goal is not to replace traditional economics, but to improve upon it. The course is intended to expose students to rigorous economic methodology to explain and predict a wide range of behaviors. The main streams of behavioral economics can be summarized by the two findings: 1) People are stupid, 2) People are nice. Specifically, we will apply these insights to understand investment and savings, cooperation, risky behavior, happiness, and more, with a primary goal being to better understand and design public policy.

To that end, readings will mostly be drawn from journals intended for professional economists. Thus a high degree of economic sophistication is expected. You will be expected to not only understand but also critique these papers. The course will culminate with the design and execution of your own novel behavioral economics experiment.

Learning Goals

1) To be able to understand the world through the lens of behavioral economics.
2) To know when the application of behavioral economics is appropriate.
3) To be able to critically read and use the academic literature in behavioral economics.

Prerequisites and Readings

Prerequisite: As much microeconomics and econometrics as possible (Econ 201 and Econ 209). Ability to thoughtfully read academic articles in the field of economics.

Optional Textbook: David Just. Introduction to Behavioral Economics. Also, Thaler’s The Winner’s Curse.
You are only responsible for the material presented in class, and the papers assigned each week that will be posted on moodle. These articles are intended to be read by people with PhDs in economics. Past experience suggests that you may miss much of the details, but you should be comfortable enough with economics to understand the gist and be able to thoughtfully critique the methods.

**Expectations and Grading**
This class will have a lot of work. The readings will be difficult and you will be expected to engage with the readings and critique them. Research is a collaborative exercise and constructive criticism is central. Unless you specifically tell me otherwise, assignments you send me may be shared with the class. Your proposals and papers will be critiqued by your classmates. Problem sets will require some math.

- Problem Sets x2: 20%
- Quizzes x2: 20%
- One-pagers x3: 20%
- Group Final Project Paper and Presentations: 20%
- Class Participation: 20% (10% each)

Problem Sets can and should be worked on in groups. But I expect each person to turn in their own problem set in the end. Each problem set should be labeled with who else you worked with.

I will base the class participation grade on the assessment of your peers, who will decide who in class made the most useful comments, not simply most comments. To properly incentivize these assessments, your grade will depend on the accuracy of your assessment as determined by how closely your choices match the choices of your classmates.

**What I look for in grading:**
I look for novelty over regurgitation. I look for ideas that I would not have thought of myself, or would not be able to read elsewhere (“the google test”). I look for combining ideas from diverse fields. I look for critical thinking that looks at all sides of a problem. I look for arguments based on logic. I look for math and graphs. I look for improvement and weight performance late in the class more than performance early in the class.

**Lab Fee**
The course will have a $20 lab fee; each of you must contribute $20 by the end of the second week of class. The money will be used to provide incentives for class experiments. All the money collected will be paid out by the end of class.

**Class Experiments**
Will be run using Vecon Lab and Poll Everywhere and Moblab. You will be required to purchase a Moblab account (current cost is $5).
**Etiquette and Internet**

You will be expected to comport yourself in a manner befitting a Vassar student. I expect an e-mail notification/request before any class absences. No cell phone use except for the purposes of classroom experiments. No laptop or other device use except to access course notes and readings.

**Disabilities Statement**

Academic accommodations are available for students with disabilities who are registered with the Office of Disability and Support Services. Please schedule an appointment with the instructor early in the semester to discuss any accommodations for this course which have been approved by the Director of Disability and Support Services (X-7584) as indicated in your accommodation letter.

**Assignments and Due Dates:**

Note, for one-pagers, I like brevity, compactness, efficient use of formatting (Bullets, Italics, Bold), and respect for the 1-page limit (single or double spaced).

Assignments are all due to me by e-mail by 8pm the night before class.

Rewrites of any assignments are allowed but not expected. Your final grade will depend on the average of the grades between the two papers. I will also give credit for improvement throughout the course.

Late assignments are accepted ONLY with PRIOR approval. Late assignments will be docked a grade per day late.

- **Initial Experiment Proposal 3** one-page proposals.
  - Due to me by e-mail by 8pm the night before class
  - At most one per week. Must be complete by Mar 12.

- **Problem Sets x2**
  - P-set 1 Due Week 6: Mar 10 (Mar 5 if you want it graded before the quiz)
  - P-set 2 Due Week 11: Apr 28

- **Quizzes x2** Closed Book In Class Quizzes
  - Quiz #1: March 12
  - Quiz #2: May 12

- **Group Project**
  - Referee Report (2-3 Pages) and Presentation (10-20 minutes): Week 8 Apr 7 and Apr 9
  - Project Proposal (3-5 pages) and Presentation, 10-20 minutes: Week 10: Apr 21 and 23
  - Final Project Presentation 10-20 minutes: Week 12-13: May 7 and May 12
  - Final Project Paper – 10-20 pages: May 20 by 8am
Schedule

Additional required readings will be posted on moodle.
This schedule is subject to revision depending on how the class progresses.

**Week 0: Touring Behavioral Economics**
Chpt 1


**Week 1-2: People are Stupid: (Procrastination)**
Chpt 11, 12, 13


**Week 3-4 Prospect Theory, Risk and Probabilities**
Chpt 2, 4, 9, 10

* Reading TBA

**Week 4-5 People are Nice: Fairness, Altruism, Vengeance**
Chpt 14, 15, 16


**Week 5 Statistical Methods – Excel and Stata**

**Week 6-7 People are Stupid : Information Processing: Anomalies, Heuristics and Biases**
Chpt 3, 6, 7, 8
* information Cascades Reading


**Spring Break**

**Week 7: Catch-up**

How to do a presentation

More on Statistical Methods

**Week 8: Paper Presentations**

**Week 9: Random Topics**

We will start each class with a brief team progress report / dilemmas that the class will help resolve.

Let me know which topics you would like me to focus on.

- Happiness: Decision Utility and Experienced Utility
- Behavioral Finance (Auction Theory: Chpt 5)
- Neuroeconomics
- Influence
- Media Bias and Politics
- Shrouded attributes
- Government Policy and Paternalism

**Week 10: Project Proposals Presentations**

**Week 11-12: More Random Topics**

**Week 12-13: Final Presentations**