Behavioral Economics

Course Description

This course introduces you to the relatively new, albeit fast-growing, field of behavioral economics, also known as psychology and economics. Our goal is to learn how to think about economic decision-making in a psychologically richer way while maintaining the rigor of economic analysis. You will learn (i) what the basic psychological phenomena that are most important for economics are; (ii) how to identify these phenomena from simple decisions and capture them in economic terms; and (iii) how they should change our understanding of basic economic questions. We will analyze the actual choices of economic decision-makers in the lab and in the field and ask whether observed behavior is consistent with the predictions of standard economic models. Applications include individual decision-making, savings, procrastination, organ donation, charitable giving, and bargaining.

Course Requirements

*Problem Sets (42%)* There will be 4 problem sets throughout the semester, due at the beginning of class on the posted dates. They will be posted on Moodle two weeks before the due date. You are welcome (even encouraged) to work on them together, in **groups of no greater than three**. If you worked with others on the problem set, you must disclose with whom you have worked on your submitted problem set. **BUT:** even if you work with others, you **must** write up the solutions on your own, using your own words and understanding! Copied solutions are a form of academic dishonesty and subject to disciplinary action.

*Midterm Exam (25%)* There will be a closed-book midterm in class on Friday, October 19.

*Final Exam (33%)* There will be one cumulative, closed-book final exam. The final exam will be held on Wednesday, December 12 from 8-10:30am in Stein 315. Do not make travel plans that conflict with the final exam.

Important Dates

- Thursday, September 20: Problem set 1 due in my mailbox at 4pm
- Thursday, October 4: Problem set 2 due in my mailbox at 4pm
- Friday, October 19: Midterm Exam in class
- Thursday, November 15: Problem set 3 due in my mailbox at 4pm
- Thursday, December 6: Problem set 4 due in my mailbox at 4pm
- **Wednesday, December 12: Final Exam (8-10:30am, Stein 315)**
Course Policies

Correspondence

I will generally respond to email within 24 hours. Please keep this in mind, particularly before assignment due dates. Please be sure to include “Econ 328-01” in the subject line of any email to ensure that it does not get lost in my inbox. For involved questions that require more than a couple of email exchanges, I strongly encourage you to drop by office hours.

Lateness and Absences

You may turn in one problem set assignment up to two days late without penalty to my department mailbox (Note: If an assignment is due on Thursday, this means you must email it to me by Saturday at 4pm). Late assignments will be penalized by the equivalent of one-third of a letter grade each day (e.g., A to A-, etc). If, for a legitimate and documented reason, you know that you will be unable to take the midterm on the scheduled time/date, you must let me know as soon as possible and I will arrange for you to take the exam before the scheduled date. If you are unable to take the exam then, you will not take it and I will reweight your final exam to account for it.

Re-grades

Any request for a re-grade must be submitted to me in writing within one week of receiving a graded item back. You must attach the original, graded item and provide a clear written explanation about what you would like re-evaluated and why. In the event of a re-grade, I will re-grade the entire item, not just the contested portion.

Academic Dishonesty

Simple and obvious: Do not plagiarize or cheat. Please read and follow the department and College’s statement on Academic Honesty: http://academics.holycross.edu/economics-accounting/plagiarism. I will neither tolerate nor excuse plagiarism or cheating in any form, and will pursue the appropriate disciplinary action. You are encouraged to discuss and study the class material with your peers; however, every item of work produced for this course must be uniquely yours.

Schedule and Reading List

Unfortunately, there is no single good textbook in behavioral economics. The required readings will be drawn from two books by Richard Thaler as well as some academic papers from the fields of psychology and economics. The Winner’s Curse, denoted WC in the reading list, is a collection of highly accessible articles that discuss the leading economic puzzles that behavioral economists have tried to address. Nudge, denoted N in the reading list, is a popular book that discusses some of the policy implications posed by behavioral economics.


Any assigned academic papers will be posted through ERes, which you can access at http://eres.holycross.edu/eres/default.aspx. The ERes password is “econ328”.

This schedule and reading list may change as the semester progresses; any changes will be mentioned in class and posted on the course Moodle website. You are expected to complete the assigned readings before their corresponding dates. Bulleted readings are required; un-bulleted readings are optional.

Week of August 27 – Introduction: What is behavioral economics?

- WC Ch. 1

Week of September 3 – Game Theory

Week of September 10 – Intertemporal Choice

- WC Ch. 8

Week of September 17 – Intertemporal Choice


Week of September 24 – Behavioral Economics and Public Policy

- N Ch. 4, 5, 17


Week of October 1 – Expected Utility, Utility from Anticipation

Week of October 8 – NO CLASS (Fall Break!)

Week of October 15 – Reference-Dependent Preferences, MIDTERM

Week of October 22 – Reference-Dependent Preferences

- WC Ch. 6

Week of October 29 – Reference-Dependent Preferences


Week of November 5 – Bayes' Rule and Bounded Rationality

- N Ch. 1

Week of November 12 – Bounded Rationality, Experimental Economics

Week of November 19 – Social Preferences (and Thanksgiving Break!)

- WC Ch. 2, 3


Week of November 26 – Social Preferences


Week of December 3 – Behavioral game theory

- WC Ch. 5