

EC315 Behavioral Economics

(Fall 2018)

Seminar Leader: Martin Binder

Course Times: Mon 17:30-19:00, Wed 17:30-19:00

Email: m.binder@berlin.bard.edu, office hours: <http://tinyurl.com/hkjk2jk>

Course Description

While much of the core of economic theory is based on the rational choice model of human activity (i.e. the human being is seen as homo economicus, a hyper-rational and solely self-interested individual), research in psychology calls for a more realistic picture of human decision-making. Behavioral economics is the subdiscipline of economics that aims at modifying the rational choice model of behavior in the direction of a more realistic model that accounts for bounded rationality, the use of heuristics, and the analysis of how human decisions are driven by emotions, and distorted by various biases. This course familiarizes students with this new and fascinating approach to economics and presents economic models that take into account the rich psychological structure of human decision-making. We analyze the consequences of using such a nuanced behavioral model of decision-making, and of taking into account the existence of social preferences (such as other-regarding, altruistic preferences) and so forth. The course deals also with the implications human irrationality would have for economic policy-making as well as research into human subjective well-being (“happiness”) and its economic correlates.

Learning Outcomes

- In-depth understanding the basic model of economic decision-making (“rational choice”)
- Critical assessment of its strengths/weaknesses in modeling economic behavior
- Knowledge of alternative modes and models of decision-making and modifications to the standard model
- Ability to understand the role of psychology in economics
- Better ability to make real-world decisions (hopefully 😊)

Requirements

Textbook

For this course, we will not use a textbook but a reader consisting of relevant journal articles/book chapters that has to be bought by the student. If you want to buy an additional textbook as background reading, I can recommend “A Course in Behavioral Economics” by Erik Angner (Palgrave MacMillan, 2nd edition preferably). Additional readings will be provided as necessary as the course progresses. At the end of the syllabus, you’ll also find an assortment of background literature to the topics covered in class (the background literature is not mandatory but provides a first, non-technical introduction to the course; these books should also be in our library).

Attendance

Attendance at ALL classes is expected. More than two absences (that is absences from two sessions of 90 minutes) in a semester will significantly affect the grade for the course. The two absences are meant as **insurance policy for you** in case of illness or other unforeseen yet important events outside of the classroom.

Assessment

Assessment will be based on attendance, preparation for classes, regular and active participation, professionalism (see below), as well as one in-class presentation, one shorter essay (1500 words), an outline for the longer final essay and said longer final essay (3500 words).

Policy on Late Submission of Essays

As per student handbook, essays that are up to 24 hours late will be downgraded one full grade (from B+ to C+, for example). After that, I will accept late submissions as per student handbook, but these cannot receive a grade of higher than C.

Grade Breakdown

Seminar preparation, professionalism and participation 30%

Midterm essay (ca. 1500 words, due Oct 01) 15%

Outline/topic for final essay (Outline, due Oct 23, group work) 10%

Final presentation (week 14, group work) 15%

Final essay (ca. 3500 words, due Dec 21, group work) 30%

(Quizzes will be administered regularly **only if** the instructor deems the preparatory reading morale of the class to be insufficient. There will be no quizzes if everybody comes to class prepared.)

Schedule

Classes start on Monday Sep 03 and run until Wednesday Dec 12, with fall break planned for Oct 29–Nov 02, 2018. Completion week will take place Dec 17–21.

The schedule provided is provisional in order to allow for flexibility. It is the students' responsibility to keep themselves informed of any changes to the schedule provided here. An up-to-date schedule will be maintained by the course management in our google classroom system and lecture slides can be downloaded from there as well. Please sign in for the course, using the code provided in the first session of class (classroom.google.com).

Week 1 – Introduction/The methodology of behavioral economics

Sep 03, Sep 05

Reading: Angner, Ch. 1, Peterson, Ch. 1.1-1.3; Thaler, 2018; additional readings provided in class

Week 2 – The methodology of behavioral economics

Sep 10, Sep 12

Reading: Kahneman, Ch. 1, Wilkinson/Klaes, Ch. 2 (excerpts)

Week 3 – Academic work session; Choice under ignorance

Sep 17, Sep 19

Reading: Peterson, Ch. 2 (pp.17-32) & ch. 3 (pp. 40-57)

Week 4 – Choice under certainty (recap, Microeconomics!)

Sep 24, Sep 26

Reading: Frank/Cartwright, Ch. 3 (recap!), Angner, Ch. 2

Week 5 – Choice under risk (recap, Statistics/Microeconomics!)

Oct 01, **no class on Oct 03**

Reading: Frank/Cartwright, Ch. 6 (recap!), Mendenhall, Ch. 4 (recap!), Angner, Ch. 4

Week 6 – Choice under risk, cont.

Oct 08, Oct 10

Reading: Frank/Cartwright, Ch. 6 (recap!), Mendenhall, Ch. 4 (recap!), Angner, Ch. 4

Week 7 – Behavioral Economics: real-world decision-making

Oct 15, Oct 17

Reading: Ariely, 2009, Ch. 1

Week 8 – Real-world decision-making under certainty

Oct 22, Oct 24

Reading: Arkes/Blumer, 1985

(Fall break: Oct 29-Nov 02)

Week 9 – Real-world decision-making under uncertainty/risk

Nov 05, Nov 07

Reading: Tversky/Kahneman, 1974; Kahneman/Tversky, 1986

Week 10 – Heuristics

Nov 12, Nov 14

Reading: Gigerenzer, 2008; Gigerenzer et al., 1999, Ch. 4

Week 11 – Subjective Well-Being: Concepts and measurement

Nov 19 Nov 21

Reading: O'Donnell et al., 2014, Chs. 2-3

Week 12 – Subjective Well-Being: Determinants & Policy

Nov 26, Nov 28

Reading: O'Donnell et al., 2014, Ch. 3, Frey/Stutzer, 2010

Week 13 – Normative implications: Nudging/Libertarian paternalism

Dec 03, Dec 05

Reading: Thaler/Sunstein, 2008, Introduction; Binder 2014

Week 14 – Student presentations

Dec 10, Dec 12

Reading: -

Week 15 – Completion Week (**FINAL PAPER due on Thursday Dec 21, 23:59**)

Classes missed due to federal holidays will not be rescheduled.

Professionalism

Being a student is your full-time job and with it come a set of responsibilities and expectations, as with any other job. Maintaining a professional attitude towards your course of studies is something that also prepares you for later work life. A professional attitude towards your studies is shown by coming to class on time, being prepared, being courteous to your teachers and fellow co-students. It is exhibited by writing your essays with care, actively participating in class, avoiding distractions (excessive bathroom breaks, using smartphones to check on irrelevant issues during class etc.), not missing classes except for the most dire of circumstances and in general by adapting to the rules of the course without trying to bargain for personal exceptions.

Ethics/Academic honesty

A core value of the academy is truth and the pursuit thereof. Nothing can shake the foundations of this pursuit as much as academic dishonesty as it undermines trust in this pursuit. This is why I will not condone any instance of academic dishonesty. Plagiarism, cheating during exams, copying homework assignments (or doing individual assignments with a classmate) all constitute violations of academic honesty and of the clause on “academic integrity” that each student has signed in the student handbook. They can lead to failing the course and will be reflected in the student’s record (having a record of academic dishonesty can make getting grants, stays abroad or admission into other programs difficult if not outright impossible).

Background literature (all good reads for the nightstand)

- Ariely, D. (2009). Predictably Irrational. HarperCollins, New York.
- Kahneman, D. (2011). Thinking Fast and Slow. Penguin Books.
- Thaler, R. H. (2015). Misbehaving. W. W. Norton, New York.
- Thaler, R. H. and Sunstein, C. R. (2008). Nudge - Improving Decisions about Health, Wealth and Happiness. Penguin Books, London.

(version: 03.08.2018)