



Department of Economics Course Outline

Course:	Economics 481 [Behavioral Economics]	Term:	Winter 2011
Time:	T R 14:00 – 15:15	Section:	01
Instructor:	Subhasish Dugar	Place:	SB 142 (subject to change)
Office:	SS 434	Telephone.:	220-5291
Office Hours:	By appointment	E-mail:	sdugar@ucalgary.ca

There is no textbook for this class. Research articles will be distributed (via Blackboard) by the professor on a regular basis.

“All economics rests on some sort of implicit psychology. The only question is whether the implicit psychology is good or bad. We think it is simply unwise, and inefficient, to do economics without paying some attention to good psychology”

Colin Camerer and George Loewenstein [2002, Advances in Behavioral Economics intro]

The interface of psychology and economics has a long history. In the 19th century, the two were indistinguishable. Economics books now considered classics (Adam Smith, Marshall, Fisher, Edgeworth) were filled with psychological insight and did not insist agents were always rational (in the sense of foresightful utility-maximization) or self-interested.

Early in this century, however, the two disciplines took different methodological paths. Psychologists began to use experiments to chart the details of how people think and behave, but did not seek to express theories in parsimonious mathematical terms. Economists turned to highly simplified models of individual agents as building blocks for theories of markets (general equilibrium) and strategic behavior (game theory).

This course will explore how economics has recently incorporated a number of insights and findings from psychology and experiments; what it can, in return, bring to the understanding of these phenomena; and examine some of the implications that follow for the workings of markets and policy.

I. Blackboard

This course will use the online Blackboard system to track grades, post announcements, and distribute required readings. If you cannot regularly access the Blackboard, please alert the professor.

II. Live with a Topic for Two weeks

The course topics will be covered in a series of 13 weeks lecture. The course will cover *six* topics (some of them are listed below) or so. For each topic we will use approximately *two* weeks or more. Of course, there is a trade-off between the number of important topics that one could cover during this time period and how much time one could possibly devote to each topic. I prefer to deal with a topic for a few weeks rather than just scratching the surface of a lot of topics, crammed together during this short time frame.

III. Evaluation Schemes

The following outlines the evaluation schemes that will be used in the course. The weight assigned to each scheme *may* change at the discretion of the professor.

There will be a total of three examinations. The first two of these exams will have a weight of 30% each, while the last exam will have a total weight of 40%. Each examination will be comprehensive in nature. Note that there is no final examination in this course. There will be no make-up exam. If you miss an exam then the weight assigned to the missed exam will be transferred to the next exam, if applicable. The dates of these exams will be announced in the class well in advance. Each exam will be held in the classroom. Programmable calculators will not be allowed during the examination.

VI. Overview of Behavioral Decision Theory

✿ Matthew Rabin, “A Perspective on Psychology and Economics,” *European Economic Review* 46 (2002), pp. 657-685.

✿ Colin Camerer and George Loewenstein, “Behavioral Economics: Past, Present, Future,” Chapter 1 in “Advances”.

✿ Daniel Kahneman, “Maps of Bounded Rationality: Psychology for Behavioral Economics,” *American Economic Review* 93 (2003), 1449-1475.

✿ Colin Camerer, pages 617-673 of “Individual Decision Making,” Chapter 8 in John Kagel and Alvin Roth, editors, *The Handbook of Experimental Economics*, Princeton, NJ: Princeton University Press, 1995, pp. 587-703

✿ Daniel Kahneman, “A Psychological Perspective on Economics,” *American Economic Review Papers and Proceedings* 93 (2003), pp. 162-168.

V. Tentative List of Topics

- ✱ Psychology & Economics
- ✱ Altruism, fairness, and Reciprocity
- ✱ Extrinsic incentives, intrinsic motivation, and social norms
- ✱ Reference dependence and Loss Aversion
- ✱ Discrimination in the Lab & the Field
- ✱ Mixed-Strategy Equilibrium: Tennis & Soccer
- ✱ Incentives and Tournaments
- ✱ Coordination Games
- ✱ Time Preferences

Book(s) on Reserve:

Papers in Experimental Economics, Smith, Vernon, Cambridge University Press, 1991

Course Outline:

This course brings psychological insights to bear on economic models.

Grade Determination and Final Examination Details:

As a guide to determining standing, these letter grade equivalences will generally apply:

A+ 95 - 100	B+ 77 - 81	C+ 67 - 69	D+ 56 - 59
A 87 - 94	B 74 - 76	C 64 - 66	D 50 - 55
A- 82 - 86	B- 70 - 73	C- 60 - 63	F 0 - 49

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Students' Union Vice-President Academic:

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Notes:

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor within *fifteen days* of the work being returned to the class.
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 403-220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Safewalk / Campus Security: 403-220-5333
Emergency Assembly Point: Social Sciences Food Court
