



Department of Economics Course Outline

		Term:	Fall 2014
Course:	Economics 661 [Behavioural Economics]	Section:	01
Time:	MW 10:00 – 11:15	Place:	SS 423 (subject to change)
Instructor:	Subhasish Dugar		
Office:	SS 434	Telephone:	220-5291
Office Hours:	Wednesday 11:30 – 12:30	E-mail:	sdugar@ucalgary.ca

Textbook(s):

There is no textbook for this class. Research articles will be distributed (via D2L) by the professor on a regular basis.

Motivation:

“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 insights 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.

Book(s) on Reserve:

None

D2L:

This course will use the online D2L system to track grades, post announcements, and distribute required readings. If you cannot regularly access the system, please alert the professor.

Live with a Topic for (about) Two weeks:

The course topics will be covered in a series of 13 weeks lecture. The course will cover about 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.

Evaluation Schemes:

All of the assignments in the class are intended to build skills that you'll use in the future as you do research, teach, present seminars, etc. Your course grade will be based on your performance on five referee reports, two in-class presentations, two in-class exams, and class participation.

- Referee reports (40 points): you will complete five referee reports in which you will summarize a recent working paper in behavioral economics, assess its strengths and weaknesses, and make suggestions for improvements, if any. The professor will assign the papers. Each referee report will be worth 8 points. Each student will submit his/her referee report by a deadline, which will be announced in the class. Do not disclose a particular point about the paper that you think others might miss. Because if that point is really an important one about the paper and reveals a serious crack in that paper, then your referee report should get higher points. So, be self- interested!

- Class presentations (20 points): you will make two in-class presentations over the course of the semester, each of which is worth 10 points. The professor will assign you papers, but the subject of that paper will be based either on one of the topics covered in the class or a topic of your liking. In each presentation, you will “teach” the paper to the class and lead a class discussion of its strengths and weaknesses.

- In-class exams (30 points): you will write two exams. Each exam will be comprehensive in nature and will be closed-book and closed-notes. Each exam will have 15 points. The dates for the exams will be announced in the class well in advance.

- In-class participation (10 points): Each student will be expected to extensively participate in class discussion. I expect you to be highly critical of the class material and analyze each experiment and theory with great perseverance. I reserve the right to randomly pick any one of you to provide your opinion on materials covered. Your in-class participation will have 10 points.

Presentation/Referee Report Tips:

The student presentation should:

- be typed in the PowerPoint, 24 point at least, Times New Roman, justified style,
- the rule of thumb is that each slide takes about three minutes, so less slides are better
- be well-prepared and organized, talk less and convey more,
- present only the most important experimental/empirical result and disregard the rest,
- present all and any theories and models provided by the paper,

- discuss if/how the experimental design (if any) captures the essence of the theory,
- and include your own thoughts about the paper.

The prepared referee report should:

- mention the main question(s) of the assigned paper,
- list the main findings of the paper,
- be constructively critical of the methodology and the experimental design of the paper,
- be careful of the data analysis and interpretation of the data,
- and suggest ways to improve the design and data analysis of the paper, and comment on the merit of the question and conclude with what particular economically relevant insight that paper has generated.

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.

Tentative List of Topics:

- Altruism, fairness, and Reciprocity
- Extrinsic incentives, intrinsic motivation, and social norms
- Reference dependence and Loss Aversion
- Discrimination in the Lab & the Field
- Misprediction of utility

Grade Determination and Final Examination Details:

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

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

Notes:

- Students who are unable to write an in-class exam, present an assigned paper in the class on an instructor-assigned date, or submit a referee report before the deadline because of an illness, family emergency or religious observance will have to notify the instructor immediately or well in advance of time, as the case may be. Documentation MUST be provided. In the case of a missed exam or presentation, the weight of the missed test exam/presentation will be shifted to the next exam or presentation, as the case may be, if there is one available.
- 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.

- Students seeking reappraisal of a piece of graded term work should discuss their work with the instructor within fifteen days of work being returned to class.

Safewalk / Campus Security: 403-220-5333
Emergency Assembly Point: Professional Faculties Food Court

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2014-07-02