

ECON 411A: Behavioral Economics

Fall, 2021

Instructor
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Amazon

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Location: TuTh, 4:30p – 6:20p, Denny Hall (DEN) #212

Office Hours (TA): Tu, 1:30p – 2:30p (via Zoom).

Course Description:

This course seeks to incorporate insights from psychology into economic models. We will review established insights from psychology and carefully examine the evidence suggesting individuals systematically depart from traditional economic assumptions. We will modify the classical economic assumptions to be more realistic, write down models that generate sharp and testable predictions, and explore the implications of those models. By the end of the course, students will learn how psychology and economics can be used together to understand human behavior, as well as know how to incorporate behavioral ideas to shape markets and policy.

Prerequisites:

This is an economics course; familiarity with economic concepts, such as utility and choice maximization, is useful. Nonetheless, a technical refresher will be provided around each topic area so that everybody can always follow along.

Attendance:

This class will be conducted in-person at the regularly scheduled time. Students are expected to participate in class to fully benefit from course activities and meet the course's learning objectives. Much of the learning will occur during the lectures, and while the slides that accompany lectures will be posted on Canvas, it will be difficult to digest them without also attending lecture.

Students should only register for this class if they are able to attend in-person. To protect their fellow students, faculty, and staff, students who feel ill or exhibit possible COVID symptoms should not come to class. When absent, it is the responsibility of the student to inform the instructor in advance (or as close to the class period as possible in the case of an unexpected absence), and to request appropriate make-up work if needed.

Students with special needs (disabled students, students athletes and etc.) should send me documents asap. More information is available online (<https://depts.washington.edu/uwdrs>).

Requirements:

1. **Problem Sets:** There will be 3 problem sets assigned during the quarter. You are encouraged to work on them with classmates, but write up the solutions on your own, using your own words and understanding. Problem sets should be digitally uploaded to Canvas by the due date (end-of-day) for grading. Homework solutions will be posted the day after. Each problem set will be equally weighted at 25% of your overall grade. The due dates are below:

	Assigned:	Due:
Problem Set #1	TUE, Oct 5 th	THU, OCT 21 st
Problem Set #2	TUE, OCT 26 th	FRI, NOV 12 th
Problem Set #3	TUE, NOV 16 th	THU, DEC 9 th

For all assignments, the UW Student Conduct Code (WAC 478-120) and Economic Department Policy on Academic Conduct (<https://econ.washington.edu/policy-academic-conduct>) applies.

2. **Final Presentation:** In lieu of a final exam, students will be asked to submit a pre-recorded 5-minute presentation (created on Zoom or elsewhere) to Canvas by Mon Dec6. We will watch them during the final week of class (on Dec7 and Dec9). Each student shall identify a real-world situation (ideally one inspired or encountered in their life) that they believe can be improved with proper application of behavioral economics. They will motivate the issue, explain why it is leading to bad outcomes, and then propose clear details about a policy change that could help address it, outlining the mechanisms they see that will help. The presentation will be weighted at 25% of your overall grade.

Grading:

The course grade will be an average of your problem set scores (75%) and your final presentation score (25%). Except for emergency situations, late problem sets will be heavily penalized (at 40% per day).

Grading complaints are considered when there has been a grading error. If you think there has been one, please submit a written petition pointing out the error. All petitions must be received at the start of class following the return of the graded problem set/exams. Note that the entire problem set will be re-graded, and the overall score can go up or down.

Economics Department's Policy on Academic Conduct:

Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course.

Religious Accommodations. Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy \(https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/\)](https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/). Accommodations must be requested within the first two weeks of this course using the [Religious Accommodations Request form \(https://registrar.washington.edu/students/religious-accommodations-request/\)](https://registrar.washington.edu/students/religious-accommodations-request/).

Readings:

As the field is relatively new, there is still no good textbook in behavioral economics. The only required reading will be the slides. A list of references will be provided that can be used for supplemental reading by those who are interested in exploring a specific topic more deeply. In addition, if you need another perspective on the material, you can consult the background readings suggested below:

Nick Wilkinson and Matthias Klaes, *An Introduction to Behavioral Economics*.

Richard Thaler and Cass Sunstein, *Nudge: The Final Edition*

Approximate Outline:

Topic	Lectures	Description
Reference-Dependent Preferences	3	Kahneman/Tversky classic experiments; Prospect theory; Market implications: labor supply, marketing, industrial organization.
Choice Over Time	6	Samuelson's exponential-discounting; Self-control and hyperbolic discounting; Harmful substances and government policy; Anxiety, optimism & anticipation; Misperception of utility.
Bounded Rationality	2	Heuristics and biases; Views of bounded rationality;
Behavioral Game Theory	3	Game theory & behavioral game theory; Irrational players and equilibrium.
Social Preferences	2	Classic experiments. "Distributional" and "intention" models. Labor markets: wage setting and unemployment.