

**NORTHWESTERN UNIVERSITY**  
**Department of Economics**

**Economics 330—Behavioral Economics**

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**Important:** It is my assumption, as well as that of Northwestern University, that you will attend every class and discussion section. The following is tentative. You are responsible for any changes or additions to what follows that may be announced in class, as well as all class material. Should you for whatever reason miss a class, it is your responsibility to get the notes from someone in the class and to ask during office hours should you have any questions after studying them. The following plan is tentative. Changes may well be made as necessary.

**Purpose:** Behavioral economics incorporates results from psychology and neuroscience in the attempt to gain deeper insight into economic behavior, to make better predictions, and to generate improved policy prescriptions. A core belief of behavioral economists is that, since psychology studies human judgment and behavior, our understanding can be improved by utilizing more realistic psychological underpinnings of economic analysis. This course surveys these attempts to improve the field of economics.

**PREREQUISITES:** Economics 310-1 and 310-2

**Texts:** There is no formal text for the class. However, we will read *The Willpower Instinct* by Kelly McGonigal, Avery, 2012. In general, readings will be made available as appropriate throughout the quarter. For reasons that I'll explain in class, I'll only post them bit by bit as we proceed through the quarter. Psychologists say that two of the most important life skills are the ability to deal with ambiguity and with frustration. If you absolutely cannot live with not knowing what the required readings are ahead of time, happily, you can drop the class and survive!

**Office Hours:** I'll be available for any questions in Tech LR4 starting at 5 PM for as long as questions last or 6 PM on Mondays and Wednesdays. If you'd like to ask questions during this time but cannot be there right at 5 PM, please send an email the night before. I'll also be available for individual Zoom sessions on Thursday, typically in the evening. The exact hours will be posted in the Announcements section of Canvas late on Wednesday. You are welcome to ask any questions on the class material except for that week's problem set. The TA will provide information regarding his office hours during the first section meeting.

**Section:** Attendance at the weekly section is expected. The sections will be used to discuss homework problems, to expand on ideas presented in lecture or in the text, and to address questions that you may have. No section meeting the first week.

**Method of Evaluation:** There will be two midterm exams (each accounting for 1/3 of the total possible points), and a paper (accounting for the remaining 1/3). Class participation, etc. will be definitely considered in borderline cases.

**Examination Policies and Dates:**

Exam 1	Monday	May 1
Exam 2	Wednesday	May 24

The paper will be due at 11:59 PM on Monday, June 5. The class paper will be 8-10 pages in length. You will choose the topic of your paper.

You are strongly urged to submit a paper proposal beginning after first exam. We'll discuss this in class later. The proposal should briefly (in a page or two at most) and clearly 1) outline your chosen topic, 2) explain why it is an interesting issue (i.e., why would anyone care about this topic?) and 3) provide a list of sources you will use in its study. You are most welcome (in fact, urged) to discuss a potential paper topic with me during office hours.

Excuses for absences from the exams will be accepted only in real cases of illness (with verification from the student health center or a doctor's excuse) or emergency. If an absence from a midterm is unexcused, the student is subject to receiving a grade of zero for that exam. Students that miss the first midterm with an excused absence will take a cumulative final exam at the time of the second midterm. Every Northwestern economics class is required to use a given letter grade distribution. Requests for special treatment in effect ask to be moved up at the expense of another student. You will lose 5 points for each time that you ask if you can take an exam at a time other than scheduled or for special treatment with respect to grades.

The class re-grade policy will be posted on Canvas later in the quarter. Happily, it's rare that a Northwestern student chooses to cheat but I am required to report any evidence of cheating to the Dean's office immediately with no discussion with the student. No cheating is allowed in any way in this class.

Northwestern University owns a copyright on all class material, including the lectures. No recording of classes is allowed nor is posting of class material (e.g., homework sets) online allowed.

Due to comments from students regarding the negative externalities involved, the following policies hold: No reading of newspapers or chatting during class. Cell phones are to be put away (in your pocket, purse, or bookbag) and have their ringers turned off for the entire class. If you are unable to resist the impulse to check messages and text, you are welcome to very quietly leave the room to do so. No laptop/notebook computers/electronics allowed. Violation of this policy is subject to a penalty with no warning.

**Course Topics:** The plan for the course includes the following topics:

- Introduction and Basics
- Preferences
- Risk
- Happiness
- Intertemporal Choice & Preference Reversals
- Self Control
- Fairness
- Bargaining
- Reputation
- Trust
- Behavioral Macroeconomics
- Behavioral Finance