

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. Some class material will be posted on Blackboard; some will be handed out in class instead. Should you for whatever reason miss a class, it is your responsibility to get the material from someone in the class.

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: Office hours will be held each week in KGH 3193, starting with Monday, January 14. I'll generally be available on M, W from about 2:50-4:50 PM. You are also welcome to ask questions after class. I may occasionally announce somewhat different hours for any given week. I will also hold extra hours prior to the exams. The TA will announce his office hours during the first section meetings, to be held starting in the 2nd week.

Section: Attendance at the weekly section is expected. The sections will be used to discuss homework problems and to expand on ideas presented in lecture.

Method of Evaluation: There will be two midterm exams (each accounting for 40% of the total possible points) and a paper (accounting for the remaining 20%). Class participation, etc. will be definitely considered in borderline cases.

Examination Policies and Dates:

Exam 1—Wednesday, February 13, 7 PM
Exam 2—Monday, March 18, 7 PM

The paper will be due at the end of our final exam on March 18. 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.

Class participation, etc. will definitely be considered in borderline cases.

Excuses for absences from the exams will be accepted only in real cases of illness (with verification from the student health center by signing a consent form 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 allowed. Violation of this policy is subject to a grade 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