

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. Please note that the specifics of this course syllabus are subject to change in the case of unforeseen circumstances. Instructors will notify students of any changes as soon as possible. Students will be responsible for abiding by the changes.

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 hold office hours in person and online starting on Wednesday, April 3. Times and locations TBA.

Section: Attendance at the weekly section is expected and especially required on Friday, May 10. In general, 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 40% of the total possible points), and a quiz/short essay (accounting for the remaining 20%). Class participation, etc. will be definitely considered in borderline cases.

Examination Policies and Dates:

Exam 1	Monday	April 29
Exam 2	Wednesday	May 22
Quiz	Friday	May 10

We'll broadly discuss the project/paper/quiz in class at the start of the quarter. Then, after the midterm, we'll go into detail.

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 (which may be extra reading for the entire class) 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