Syllabus
ECON 267: Behavioral Economics
Winter Term 2010

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Office Location: Willis Hall 320
Office Hours: Tuesdays at 3:15pm
Moodle Page: http://moodle.carleton.edu/go/econ267-00-w10
Prerequisites: ECON 110 and ECON 111

Course Overview
The main objective of this course is to introduce you to the field of behavioral economics. This field is based on concepts from the early foundations of the field of economics, as well as cutting-edge, contemporary research. At its core, this field attempts to modify and extend neoclassical economic theory so that the predictions of neoclassical models more closely resemble observed behavior. This course will focus predominantly on the behavior of individuals and households, with few applications to the behavior of firms.

Office Hours and Appointments
Regular office hours will be on Tuesday afternoon starting at 3:15 pm. Generally, I will stay until all students have been seen. If you plan to attend office hours after 3:15, please send me an email so I know that you will be coming later.

In addition to regular office hours, I will have extra office hours before exams and before the final paper is due. These times will be posted on a Scheduler on Moodle; you should sign up on Moodle for a time slot.

I am also available to meet by appointment. Please send me an email to arrange a meeting in advance.

Communicating With Me
I would prefer that you send me an email if you need to reach me outside of class time or office hours. Please include “econ 267” in the subject line of all emails. I have provided my home phone number if you need to speak with me when I am not on campus. Please do not call outside of 9am – 4pm, Mon. – Fri., unless we have arranged otherwise.

I will communicate with you outside of class by email or through postings to Moodle. You are responsible for checking your Carleton email account and Moodle regularly.

Exams
There will be two midterm exams. Questions will be a combination of short-answer essay questions and mathematical reasoning. The second midterm exam will focus primarily on material covered after the first midterm exam, but it may require knowledge of some material covered before the first midterm exam. There will not be a final exam during exam days in this course.
Homework and Class Participation
Your primary responsibility outside of class is to complete the assigned readings before the start of class. You should come to class ready to discuss the assigned readings. This means that you are prepared to explain the key concepts in the readings, to ask specific questions about portions of the readings you did not understand, to work with your classmates to apply the concepts from the readings, etc. Because this course relies much more on class discussion relative to lecture, it is imperative that you complete the readings before class.

There is no undergraduate textbook on the topic of behavioral economics. Therefore, the readings come directly from journal articles. Many of the readings will be challenging, and if you have not had econometrics or calculus, the “math” may be confusing. I strongly recommend that you read each article more than once. You may also find it helpful to meet with other students before class to discuss the articles as you read them. Please see Moodle for more information about how to read journal articles and how to prepare for class.

It is important that you participate in class discussions and activities. If you have had difficulty participating in class in the past, this will be an excellent opportunity to improve your skills in this area. Just as contributing to the conversation is important, it is also important to be a good listener. Thus, part of your grade will also depend on how well you balance listening and contributing to the discussion.

There will be no “problem sets” in this course. Rather, I will occasionally post questions to Moodle to guide your reading and help you prepare for class discussion. I will also occasionally post some review questions to Moodle that go beyond the discussion questions. This will be the best way to prepare for exams.

Attendance
As with all courses at Carleton, you are expected to attend all classes. I will not take attendance formally, however, class participation is part of your grade. Excessive absences will negatively impact your class participation grade.

If you must miss class, please notify me in advance. You are responsible for knowing the material covered in class. I would recommend obtaining notes from a classmate.

If you suspect that you have a contagious illness, such as H1N1 influenza, please do not come to class. In addition, please practice good hygiene, whether or not you are ill. Wash your hands frequently, cover your cough, and avoid touching your face, mouth, nose or eyes.

Research Paper
In addition to the exams, you will complete a research paper. The purpose of the paper is to allow you to explore a topic of interest to you in the field of behavioral economics. You may choose any relevant topic. The topic can be a more in-depth examination of a topic we cover in class, or, you may select a topic that we do not cover in class.

This assignment is actually four assignments in one. You will be required to submit a proposal at the end of fourth week. Based on your proposal, I will either approve your topic, or require you to select a different topic. At the end of seventh week, you will be required to submit a rough draft of the paper for peer review. At the end of eighth week, you will be required to peer review another student’s rough draft and provide feedback to the student. Your final draft will be due at the beginning of ninth week.

Please see the handout on the research paper for more details on this assignment. (This will also be posted on Moodle.)
**Evaluation**
No late work will be accepted, unless you have made arrangements with me in advance. This means that there will be no make-up exams. Any work not completed by the scheduled date and time will be recorded as a zero.

Your grade for the course will be weighted as follow, with the exception noted below:
- 20% - class participation
- 20% - first midterm exam
- 20% - second midterm exam
- 40% - final paper assignment, components are as follows:
  - 5% - proposal
  - 5% - on-time submission of rough draft for peer review
  - 10% - quality and timely submission of peer review comments
  - 20% - final draft of paper

The grading scale for the course is as follows, with the exception noted below:
- A = [93, 100] A- = [90, 93]
- B+ = [87, 90] B = [83, 87]
- B- = [80, 83] C+ = [77, 80]
- C = [73, 77] C- = [70, 73]
- D+ = [67, 70] D = [63, 67] D- = [60, 63]
- F = [0, 60]

So, if you like to track your grade throughout the term, you can use this as a “grade floor.”

The exception is this. At my discretion, I may calculate final grades for the course based on either an alternative weighting scheme or an alternative grading scale or both. Under any alternative weighting or scale your final grade will be no worse than it would be using the weights and scale presented here.
Class Schedule
Below is the tentative schedule for class topics, assignments and exams. It is possible that we will move more slowly or more quickly through the topics. Unless otherwise noted, all readings should be available electronically through the library. Citation information for assigned readings will be posted on Moodle. It is your responsibility to be aware of schedule changes announced in class, by email or posted to Moodle. **Readings should be read before coming to class.** If you need assistance finding the readings, please contact staff at the library.

**Lecture #1 (1/5/10): Review of Neoclassical Model of Consumer Behavior, Part 1**

**Lecture #2 (1/7/10): Review of Expected Utility Theory**

**Lecture #3 (1/12/10): Non-standard Preferences over Risk, Part 1- Anomalies and Critiques**

**Lecture #4 1/14/10: Non-standard Preferences over Risk, Part 2- Prospect Theory**

**Lecture #5 1/19/10: Non-standard Preferences over Risk, Part 3-Loss Aversion**

**Lecture #6 1/21/10: Non-standard Preferences over Risk, Part 4-The Endowment Effect**

**Lecture #7 1/26/10: Non-standard Decision-making- Mental Accounting and Heuristics, part 1**

**Lecture #8 1/28/10: Non-standard Decision-making- Mental Accounting and Heuristics, part 2**

Friday, 1/29/2010, 8:00AM- Paper Proposal due by email.

**Lecture #9 2/2/10: Social Preferences- Gift Exchange Model, part 1**

**Lecture #10 2/4/10: Midterm Exam 1**

**Midterm Break 2/8/2010**

**Lecture #11 2/9/10: Social Preferences- Gift Exchange Model, part 2**

**Lecture #12 2/11/10: Review of the Discounted Utility Model**

**Lecture #13 2/16/10: Non-standard Preferences over Time- Time Inconsistent Preferences, part 1- ($\beta, \delta$) Preferences**

**Lecture #14 2/18/10: Non-standard Preferences over Time- Time Inconsistent Preferences, part 2- Procrastination**
- Draft of research paper due by 10:00 AM, by email, for peer review.

Saturday, 2/10/2010, 8:00AM- Peer review comments due, by email.

**Lecture #15 2/23/10: Non-standard Preferences over Time- Time Inconsistent Preferences, part 3- Projection Bias**

**Lecture #16 2/25/10: Visceral Effects**

**Lecture #17 3/2/10: Rational Addiction**
Lecture #18 3/4/10: Market Responses

Friday, 3/3/2010, 8:00AM - Research Paper, final draft, due by email

Lecture #19 3/9/10: Midterm Exam 2

*There is no final exam for this course.*