

# 73-348: Behavioral Economics

Professor John Gasper

Spring 2018

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*Course Time / Location:*

Tues/Thur 10:30-11:50am;

Room: PH 226B

*Instructor:* John Gasper

*Office:* POS 354

*Email:* gasper@cmu.edu

*Office Hours:* Tues/Wed/Thur 3-5pm & **by appointment**

In general, I have an open door policy: if my door is open and I'm not meeting with someone, you are welcome to come in and meet with me. If my door is closed, I am not available (out of the office, working, etc). I know finding office hour times that work for everyone is difficult. Consider these a suggested meeting time, but I highly encourage you to schedule an appointment. Please, don't interpret a closed door as me not wanting to meet with you. I do, but just send me an email to schedule some time.

*Teaching Assistants:*

- Suren Wanasundera

*Required Materials:*

- A Course in Behavioral Economics, by Erik Angner. [BE]
- Clickers
- Various handouts distributed during class

## Course Description and Goals

This course is intended to give future managers, consultants, and policy makers an introduction to the insights and applications of behavioral economics. Behavioral economics is the interdisciplinary study of how people make decisions. It draws together research from psychology, economics, political science, and management to address topics including heuristics and biases in inference and prediction, risk perceptions and attitudes, and the roles of group and emotional processes in decision making. This behavioral approach is different than the traditional approach of how people “*should*” make decisions. The *should* aspect is often the content of classic economic theory. Studying how people actually make decisions is the province of Behavioral Economics and Behavioral Decision Research. Once we understand how people make decisions, we can help people make better decisions.

At the end of this document you will find a *tentative* schedule for the semester, that will almost surely change as we progress. That said, the underlying objectives of the course will remain:

- Learn about the field of Behavioral Economics and its major findings.
- Read and present finding from original research in Behavioral Economics.
- Compare the findings from Behavioral Economics to traditional Economic theory.
- Examine the generality of these results and their application to managerial and policy decision making
- Acquire practical skills for making better decisions.

## Attendance and participation

It is easy to take the attitude that your job (and mine) is accomplished with your mastery of the material of the course, and consequently that I need not bother with whether you show up for class. Realistically, we know that in general the vast majority of students who feel they don’t need to come to class are mistaken, but only find that out, to their shock, as they do poorly on exams. This course is a course with lots of material to cover. The pace of the course will be fast. If you miss a class, you will be substantially behind. I will expect you in class and I expect you on time. This not an “easy” course and a large part of the lecture material will not come from the text. The exams will cover both sets of material.

More importantly, your class participation also provides important feedback to me regarding how well topics are getting across. If something that isn’t clear to you, please let me know. You are probably not the only one. Attendance is necessary, but not sufficient for effective participation, which also requires actively engaging the material. That said, if you feel uncomfortable about class participation either in general or for specific topics, see come talk to me and we’ll find some way around it.

This semester we will experimenting with “clickers” in the course. Once these are setup, you are required to bring your clicker to every class. I will be using these to take attendance for the course, but primarily to have you real-time survey questions. If you forget to bring

your clicker and we use it that day, you will be counted as absent. In addition, I might occasionally give unannounced short quizzes.

I will also make an effort to get to know you. It is also fair to say that those who sit near the front and participate in class will get the benefit of the doubt when their grades are below a borderline. During the first week of class, I ask that you schedule an appointment with me and come by my office. Early in the first week of the semester I will pass around a sheet with available times. These meetings will probably only last about 10 minutes but I find them incredibly valuable. I feel that I can best present material to you only after I know you.

## Cell phones, laptops, and other technology

I understand that many of you will use a laptop to take notes during the lecture. This is fine. I am also willing to venture a guess that many of you will be tempted to check your email, the news, etc. This is not fine. It's distracting to me and more importantly your fellow students.

I also ask that you turn off your cell phone during class. If there is an emergency and you might need to be contacted, please talk to me before class. Otherwise there should be no reason to hear a phone ring or see someone send a text. Text messages and phone calls during class are very distracting and disrespectful to me and your other students. If you are surfing the internet, texting, etc, during class you will be asked to leave.

Finally, I understand that many of you might use alternative note taking methodologies, but this has its limits. I do not claim to be a riveting lecturer. So I ask that student record or tape any classroom activity without my express written consent.

## Course Logistics

This course has a Canvas site. The sites should set up and functioning. Our class page can be accessed via the following URL:

<https://canvas.cmu.edu/courses/4291>

Handouts, problem sets, updated syllabi and announcements will be posted to Canvas and you are responsible for checking the site regularly. The TA and I will also maintain the Canvas/Piazza discussion board. If you have any questions about the techniques, problem sets, etc, ask them on the discussion board. It has been my experience that one of the best ways to learn something is to try to explain it to someone else. So *we will expect you to try to answer the questions that other students ask*; doing so will aid the participation element of your grade.

I welcome questions during class: if you have a question or a comment, please let us know. I will generally pause after each slide and ask if there are any questions. *Please feel encouraged to raise questions during class.* I am also fairly accessible via email, but you should not expect a reply immediately (within 24 hours).

## Accommodations for Students with Disabilities

Carnegie Mellon University is committed to providing reasonable accommodations for all persons with disabilities. I would ask any student needing a learning accommodation to let me know at the beginning of the term so that we can work out necessary alternative assessment options. All information will be considered confidential and only released to appropriate persons on a need to know basis.

## Health & Well-being

**Take Care of Yourself.** Do your best to maintain a healthy lifestyle this semester by eating well, exercising, getting enough sleep and taking some time to relax. This will help you achieve your goals and cope with stress.

All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus and an important part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know experiences any academic stress, difficult life events, or feelings like anxiety or depression, I strongly encourage you to seek support. Counseling and Psychological Services (CaPS) is here to help: call 412.268.2922 to make an appointment. Consider reaching out to a friend, faculty or family member you trust for help.

## Academic Integrity

You should feel encouraged to talk with your class mates about the problems on the problem sets, but do not copy even parts of someone else's work.

The CMU policy on cheating and plagiarism has been updated. Notice the following text: *In all academic work to be graded, the citation of all sources is required. When collaboration or assistance is permitted by the course instructor(s) or when a student uses the services provided by Academic Development, the Global Communication Center, and the Academic Resource Center (CMU-Q), the acknowledgement of any collaboration or assistance is likewise required. This citation and acknowledgement must be incorporated into the work submitted and not separately or at a later point in time. Failure to do so is dishonest and is subject to disciplinary action.*

I am very sensitive to cheating and plagiarism; the policy in this course is that cheating of any kind will not be tolerated. **If one of us suspects an academic integrity violation, we will report it to the CMU administration and you will be penalized one letter grade off of your final grade.** If you have any doubt about your actions, please ask me. I strongly encourage you to review Carnegie Mellon's policies regarding academic integrity. A good online source for the academic integrity policy is:

<http://www.cmu.edu/academic-integrity/index.html>

# Grades

Each student's grade for the course will be based on the following:

1. *Participation* 5%
2. *Problem Sets* 10%
3. *Paper Presentation* 20%
4. *Midterm Exam* 20%
5. *Comprehensive Final Exam* 25%
6. *Quizzes* total 20%

There will be several problem sets distributed, and these will be the best way to study for the quizzes and exams. I will also occasionally give questionnaires in class. Your honest completion of these questionnaires will count toward your participation in the course. They will not be announced, and if you miss a class you can not fill in the questionnaire at a later time.

Mastery of the material will be gauged via in-class quizzes and exams. There will be multiple quizzes throughout the semester. Some of these quizzes will be announced and some could be unannounced and "pop" quizzes. There will also be a midterm and final exam.

You will also be assigned a group that will be responsible for leading discussion and presenting a research paper that has been published on a topic of the course. The presentation of the paper itself should last about 10-15 minutes and you'll be responsible for leading a classroom discussion about it for the remaining 15-20 minutes. Your group is required to come meet with me to discuss the paper at least two days before class, and this meeting will count for a third of the grade on your presentation.

As faculty, we know that your schedule during the semester can be hectic. We also know that various events can happen during the semester that make finishing projects on time difficult. We also, however, expect you to know these things as well. There is a no extensions and no make-up policy for any work, quiz, or exam in this course, unless it is a university approved absence.

## Weekly readings and course outline

The course schedule is tentative and will almost surely change a little (but hopefully not much). When there are changes, I'll update the syllabus and make an announcement in class. You are responsible for keeping current on the latest version and paying attention to announcements made in class.

Class	Day	Date	Topic	Reading	Assignment
1	T	16-Jan	Intro	BE Intro	
2	Th	18-Jan	Overconfidence	Handout	
3	T	23-Jan	Overconfidence	BE 5.7	
4	Th	25-Jan	Common Biases	Handout	PS1 due
5	T	30-Jan	Common Biases	Handout	Quiz
6	Th	1-Feb	Common Biases	BE ch5	Paper Pres 1
7	T	6-Feb	Common Biases	BE ch5	
8	Th	8-Feb	Common Biases	BE ch5	PS2 due
9	T	13-Feb	Framing	Handout	Quiz
10	Th	15-Feb	Framing	Handout	Paper Pres 2
11	T	20-Feb	Framing	BE ch7	
12	Th	22-Feb	Prospect Theory	BE ch7	PS3 due
13	T	27-Feb	Prospect Theory	BE ch7	Paper Pres 3
14	Th	1-Mar	Mental Accounting		
15	T	6-Mar	MIDTERM		Exam
16	Th	8-Mar	Recap		
	T	13-Mar	SPRING BREAK		
	Th	15-Mar	SPRING BREAK		
17	T	20-Mar	Intertemporal Choice 1	BE ch8	
18	Th	22-Mar	Intertemporal Choice 2	BE ch9	
19	T	27-Mar	Intertemporal Choice 3	BE ch9	PS4 due* / Paper Pres 4
20	Th	29-Mar	Intertemporal Choice 4		Quiz*
21	T	3-Apr	Behavioral Game Theory	BE ch10	
22	Th	5-Apr	Behavioral Game Theory	BE ch11	
23	T	10-Apr	Behavioral Game Theory	BE ch11	PS5 due* / Paper Pres 5
24	Th	12-Apr	Nudging	handout	Quiz*
25	T	17-Apr	Nudging	handout	
	Th	19-Apr	BREAK		
26	T	24-Apr	Nudging		PS6 due* / Paper Pres 6
27	Th	26-Apr	Improving Decision Making		Quiz*
28	T	1-May	TBA	Handout	
28	Th	3-May	WEIRD Subjects		
		TBA	FINAL		Exam

All items marked with a "\*" indicate that it is an approximation. Due dates, quiz dates, and presentation dates subject to change.