

Behavioral Economics



You are responsible for the material contained in the syllabus. Every effort will be made to stay with the original terms of this syllabus, but changes may be necessary. Changes will be announced in class and updated on the online syllabus. It is your responsibility to be aware of any changes.

Course Information

Course Title: Behavioral Economics
Course Number: EC 320 (PHL 322) AW
Class Meets: MW 12:30 PM – 1:45 PM in CSB 101

Instructor Information

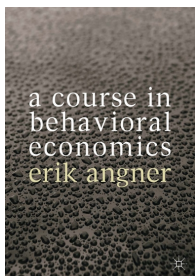
Professor: Joshua J. Robinson, Ph.D.
Office: CSB 284
Phone: 975-1987
Email: jjr@uab.edu
Office Hours: MW 2:00 PM – 4:00 PM or by appointment

Course Description

This course is an introduction to behavioral economics: the attempt to incorporate insights from psychology into models of economic decision-making. This is a relatively new field of study within economics. However, it has already had a large impact on the fields of finance and industrial organization, and it is rapidly being incorporated into other fields as well. Outside of traditional economics, the principles of behavioral economics are heavily influencing the study of marketing, management, psychology, political science, and philosophy.

You were likely told in your first economics course that humans behave rationally. In this course we will relax that assumption. However, behavioral economics does not attempt to replace the economic model of human behavior. It seeks to compliment and augment it with the recognition of broadly observed, systematic, and predictable deviations from rational decision-making. These insights will help us to understand such phenomenon as drug use, sex, crime, gambling, over-eating, overconfidence and procrastination.

Textbook



Angner, Erik (2012) *A Course in Behavioral Economics* (Basingstoke: Palgrave Macmillan).

Grading

Your grade will be composed of three mid-term exams, a final-exam, as well as class participation. The percentage breakdown is as follows:

Exam 1	25%
Exam 2	25%
Exam 3	25%
Final Exam	20%
Class Participation	5%

Exams are not cumulative (including the final); however, the material builds on itself. Failure to understand material from the first test will hurt you on the second test and the final. Please do not hesitate to ask for help, even concerning older material. Your class participation score is based on your adherence to the UAB School of Business Code of Professional Conduct, which can be found below.

Class participation and discussion is extremely important in an economics class. I encourage you to interrupt the lecture at any time to ask a question (I may have to wait until after class to answer it if we are time constrained). Also, I encourage you to bring questions to class from outside sources (news, magazines, newspapers, etc.).

Missed exam policy: You must notify me at least 24 hours before any class you miss to be excused for a missed exam. Failure to do so will result in you failing the exam. It is your responsibility to contact me and schedule a make-up exam within 7 days of the original exam date. Failure to do so will result in you failing the exam. You must be present to take the final exam. **There will be no exceptions to this policy.**

Schedule with readings from A Course in Behavioral Economics

INTRODUCTION		
Week 1	Aug 26 th	Introduction/Class Outline
I CHOICE UNDER CERTAINTY		
Week 1	Aug 28 th	1.2 The origins of behavioral economics 1.3 Methods 2.2 Preferences
Week 2	Sep 2 nd	LABOR DAY
	Sep 4 th	2.3 Rational preferences 2.4 Indifference and strict preference
Week 3	Sep 9 th	2.5 Preference orderings 2.6 Choice under certainty 2.7 Utility
	Sep 11 th	3.2 Opportunity costs 3.3 Sunk costs
Week 4	Sep 16 th	3.4 Menu dependence
	Sep 18 nd	3.5 Loss aversion

		3.6 Anchoring and adjustment
Week 5	Sep 23 th	Review
	Sep 25 th	TEST 1

II JUDGMENT UNDER RISK AND UNCERTAINTY		
Week 6	Sep 30 th	4.2 Fundamentals of probability theory 4.3 Unconditional probability
	Oct 2 nd	5.2 The gambler's fallacy 5.3 Conjunction and disjunction fallacies
Week 7	Oct 7 th	4.4 Conditional probability 4.5 Total probability and Bayes's rule
	Oct 9 th	5.4 Base-rate neglect
Week 8	Oct 14 th	4.6 Bayesian updating
	Oct 16 th	5.5 Confirmation bias 5.6 Availability
Week 9	Oct 21 th	Review
	Oct 23 rd	TEST 2

OCTOBER 19th – Last day to withdraw

III CHOICE UNDER RISK AND UNCERTAINTY		
Week 10	Oct 28 th	6.2 Uncertainty 6.3 Expected value
	Oct 30 th	6.4 Expected utility 6.5 Attitudes toward risk
Week 11	Nov 4 th	7.2 Framing effects 7.3 Bundling and mental accounting
	Nov 6 th	7.4 The Allais problem 7.5 The Ellsberg problem 7.6 Probability weighting
Week 12	Nov 11 th	Review
	Nov 13 th	TEST 3

IV INTERTEMPORAL CHOICE

Week 13	Nov 19 th	8.2 Interest rates 8.3 Exponential discounting
	Nov 21 st	9.2 Hyperbolic discounting
Week 14	Nov 26 th	THANKSGIVING BREAK
	Nov 28 th	
Week 15	Dec 3 rd	9.3 Choosing not to choose 9.4 Preferences over profiles
	Dec 5 th	Review

FINAL EXAM: Wednesday, December 11th from 1:30-4:00 PM

Students with disabilities

I will honor all necessary accommodations validated through the UAB Office of Disability Support Services (DSS). They can be found on the web at:

<http://main.uab.edu/Sites/students/services/disability-support/>

School of Business Code of Professional Conduct

The Code on the following page was created by the UAB School of Business, not the instructor, for all courses and is required for all classes in the School of Business.

Code of Professional Classroom Conduct - UAB School of Business

The behavior expected in class is that exhibited by professionals in a business meeting.

This is the official policy for classes in the UAB School of Business

You are a student in a business class at the University of Alabama at Birmingham. The mission of the School of Business is to prepare graduates to be successfully employed as business professionals. To accomplish that mission, the faculty is committed to teaching you:

1. core knowledge of business functions and processes used by business professionals and
2. knowledge of behavioral expectations that the business world will have for you.

To be successful in your career, whatever your chosen path, you should learn how to plan, organize and control some business or business-like operations. Additionally, you will have to know how to conduct yourself in professional settings. What you say, how you say it, how you dress, and how you present yourself will all significantly affect your ability to secure employment as a professional and to succeed in your career. It is the faculty's goal and responsibility to help you understand both the concepts of business and the behavior that will help you to excel in your career. With these goals in mind, a **Code of Professional Classroom Conduct** that is consistent with workplace expectations has been adopted for School of Business classes.

1. ATTENDANCE & CONTRIBUTION

- a. Attend all class meetings.
 - i. Class meetings are considered normal work assignments. Failing to attend class is equivalent to missing a day's work.
 - ii. If you must miss class, inform your instructor in advance (or as soon as is practical) of the reason for your failure to meet your obligation. If you are ill, do not attend class, but inform the instructor. Absences will be excused when a legitimate and documented reason is presented in a timely manner.
- b. Be on time and don't expect to leave early. Showing up late to work and "slipping away early" are unacceptable workplace and business classroom behaviors. If you become ill or have a legitimate reason to leave class early, inform your instructor of the circumstances at an appropriate time.
- c. Be prepared and participate meaningfully in all class meetings.
- d. Be interested and be interesting to others in your class. Engage your instructor and peers in meaningful discussion of the class topics. In business meetings, participants must be engaged and make contributions. Placing your head on your desk and/or sleeping is not allowed.
- e. Come to class prepared to contribute meaningfully in discussions. Class assignments are akin to business work assignments. Failing to do assigned work is not acceptable.
- f. Ask questions to seek understanding and answer questions to the best of your ability.

2. DRESS CODE

- a. Neat and clean casual attire is expected. Dress for the occasion – a business class.
- b. Casual caps or hats (such as baseball caps) are not to be worn inside of buildings or in business meetings.
- c. Shirts with vulgar or unprofessional language or visual images are inappropriate. Clothing that is suited for parties, sporting events and other social occasions may not be suited for business meetings.

3. CLASSROOM PARTICULARS

- a. Cheating is not allowed. Persons found guilty will be subject to UAB prescribed policies for academic misconduct, which can entail serious penalties.
- b. Gum or tobacco use is not allowed in the classroom.
- c. Activities not related to the present class are not allowed (e.g., sleeping, reading, etc.).
- d. Turn all cell phones off. If you anticipate an emergency call, set the phone to vibrate.
- e. The use of cell phones for talking and/or text messaging in class is not allowed.
- f. Laptop computers and other electronic devices may be used but only to take notes or actively participate in the classroom activities. Surfing the Internet, playing games, reviewing materials unrelated to your class is unprofessional and not allowed.
- g. Passing notes and whispering in class are inappropriate behaviors for a professional setting.
- h. Do not walk around during class. Avoid leaving the class for any reason. If you must depart, do so quietly and respectfully.

If you believe you will have any difficulty fulfilling any of these expectations, please discuss your concerns with your instructor at the beginning of the semester. Special accommodations will be made if justified.