



Kalamazoo College

Department of Economics and Business

Econ 290: Behavioral Economics

Winter 2017, 01/03/2017 – 03/14/2017

Instructor Information:

Sining Wang, PhD
Office: Dewing Hall 302
Office Hours: 3:00 PM - 5:00 PM, Tue&Thur, or by appointment
Email: Sining.Wang@kzoo.edu
Office Phone: (269)-337-7057
Personal Website: www.siningwang.com

Class Details:

Classroom: TBA
Meeting Time: 2:45 PM - 4:00 PM, Monday, Wednesday & Friday

General Overview:

Have you ever wondered why you are feeling so happy when you spend your own time (and maybe money) to help others? Or why you're so reluctant to order the same food as your friends in a dinner? This course is designed to introduce students to the evolving field of behavioral economics – an emerging field of study that lays at the boundary that divides economics and psychology. In short, this course studies how people make decisions. The ultimatum goal of this course is to help our students to become better decision makers.

Behavioral economics is a very ironic name. The entire field of economics is supposed to be the study of social phenomena based on human behavior, isn't? Traditional economic theory assumes that economic agents are insanely rational and investigate implications of rational behavior. Yet from my opinion, the assumption that all people are perfectly rational is the biggest irrationality in economics. The central emphasis of behavioral economics is to bridge economics and psychology, looking at how certain mental rules of thumb, cognitive bias, individual differences, and interpersonal relationships lead to individual judgments and decisions that will SYSTEMATICALLY deviate from the theoretical predictions. You will find the things you learned in this class have implications in many fields in social science (economics, psychology, political science, management, marketing, etc.).

Because we’re studying human behavior, we should all have a lot to contribute, both from our own personal experiences, as well as from the study materials. Through the whole term, we will explore people’s behavior across several domains. Roughly, there will be 5 sections. In the first section, we will talk about the meaning of rationality in economics and in daily life. In the second section, we will investigate how social norms and the environment around us shape the way we think and behave. In the third section, we will employ the framework of game theory and try to understand how people make decisions in strategic settings. In the fourth section, we will apply knowledge from psychology to study marketing science and look at consumer behavior. In the last section, we will discuss theories on risky decision making. If you are fascinated in exploring the connections between economics and psychology, this course could be a good choice.

Readings:

- There is no required textbook for this class. The study material will from a range of different sources, including popular press books, textbooks, academic papers, and other medias.
- Assignment readings (posted online or handed out in class);
- Recommended book: *Thinking, fast and slow*, by Daniel Kahneman.

Evaluation:

An Individual’s performance will be evaluated according to the following criteria and percentages.

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| • Study summary and assignments | 40% |
| • In-class Quiz | 30% |
| • Term-paper | 20% |
| • Class participation | 10% |

Grading Scale:

100% — 90%	A	69% —65%	C+
89% — 85%	A-	64% —60%	C
84% — 80%	B+	59% —55%	C-
79% —75%	B	54% —50%	D
74% —70%	B-	50% and below	F

Explanation of the evaluation criteria:

- **Study summary:** students will submit a reading summary each week. The summary are supposed to be a brief report of what you have learned from the assignment readings and from class discussion. In addition of reviewing the study material, you should also include your independent thoughts, comments, or questions in the reading summary. Each reading summary shall not be shorter than 600 words.

- **Quiz:** There will be 5 quizzes through the quarter. Most of the quiz questions will be a straightforward review of the study materials (e.g., assignment readings, lecture notes, etc.)
- **Class Participation:** You should be prepared for class and expect to be called upon without notice to contribute to class discussion. Occasionally, a student may be swamped with work and unprepared for a class meeting or simply not wish to be called on. This is understandable. If you occasionally do not wish to be called on, simply let me know before the class. You are required to come to my office hour at least once.

Academic Integrity:

Academic misconduct in any form is in violation of the Student Code of Conduct at Kalamazoo College and will not be tolerated. This includes, but is not limited to: copying or sharing answers on tests, plagiarism, and having someone else do your academic work. Any violation of the academic integrity policy will result in failure of the course and will likely be referred to the Academic Misconduct Hearing Board for further sanction. Please see the Student Code at <https://reason.kzoo.edu/studev/stuconduct/> for more details and a full explanation of the Academic Misconduct policies. With respect to homework assignment and reviewing for exams, working together in a small group can be very helpful in terms of learning process. However, each person is still responsible for submitting their own (unique) work. I urge you to attend to the class in a regular manner. Ambiguity in academic integrity policies is not an excuse for a violation. If you have any questions about how the policy applies to specific scenarios, please discuss them with me.

Student with Disabilities:

Please contact me during office hours to discuss academic accommodations that may be needed during the semester due to a documented disability. The Associate Dean of Students Office engages in an interactive process with each student and reviews requests for accommodations on an individualized, case-by-case basis. Depending on the nature and functional limitations of a student's documented disability, he/she may be eligible for academic accommodations. The Associate Dean of Students Office collaborates with students and their faculty to coordinate approved accommodations and services for qualified students with disabilities. If you have a documented disability for which you wish to request academic accommodations and have not contacted the Associate Dean of Students Office, please do so as soon as possible. The Associate Dean of Students Office is located in Weimer K. Hicks Student Center, upper level east, room 119, and could be reached at 269-337-7209 or at studev@kzoo.edu. Detailed information regarding the process to request accommodations is available at <https://www.kzoo.edu/student-life/students-with-disabilities/>.

Rescheduling Final Exam:

Final week for Fall 2016 takes place from November 20th through November 22th. Exam for this class is scheduled at November 20th, Sunday, 11:30 am — 2:00 pm. Students are required to be available for their final and/or complete and assessment during the stated time. If you have a conflict with this time you must visit the Dean of Students Office to discuss the possibility of rescheduling your final. The Associate Dean of Student Office is REQUIRING that students who have a conflict about which they have or should have had advanced notice (bunched finals, religious obligation, legal/medical appointments...) MUST seek permission to reschedule their assessment. Please note that vacations, previously purchased tickets or reservations, graduations, social events, misreading the finals schedule and over-sleeping are not viable excuses for missing a final. If you think that your situation warrants permission to reschedule, please contact the Associate Dean of Students Office.

Tentative Schedule:

(this schedule is subject to change, with prior notification of the Instructor)

Section 1: Why Do You Do the Things You Do: The Rationality in Decision Making

(Week1 – Week2, Jan 03 — Jan 14)

Topics: Dual process of reasoning; Heuristics; Emotion and Motivation

Section 2: Understanding Strategic Decision Making: Behavioral Game Theory

(Week 3 – Week 4, Jan 15 — Jan 28)

Topics: Conflict; Cooperation; Sequential Reasoning

Section 3: The Pursuit of Happiness: Economic Incentive and Social Preferences

(Week 5 – Week6, Jan 29 — Feb 11)

Topics: Fairness; Reciprocate; Contribution to Public Goods; Social Norm

Section 4: The Psychology of Marketing: Consumer Behavior and Marketing Strategy

(Week 7 – Week 8, Feb 12 — Feb 25)

Topics: Mental Account; Attitude; Social Influence

Section 5: Life is a Product of Choices: Decision Making under Uncertainty.

(Week 9 – Week 10, Feb 26 — Mar 11)

Topics: Decisions Under Uncertainty; Choice Architecture

WEEK	IMPORTANT DATE
Week 1 Jan 03 – Jan 07	Jan 03 (Monday): Class Begin.
Week 2 Jan 08 – Jan 14	Jan 10 (Monday): Summary 1 due; Jan 13 (Friday): Quiz 1.
Week 3 Jan 15 – Jan 21	<u>Jan 16, MLK Holiday;</u> Jan 18 (Wednesday): Summary 2 due.
Week 4 Jan 22 – Jan 28	Jan 23 (Monday): Summary 3 due; Jan 27 (Friday): Quiz 2.
Week 5 Jan 29 – Feb 04	Jan 30 (Monday): Summary 4 due; Feb 03 (Friday): <u>Mid-term break.</u>
Week 6 Feb 05 – Feb 11	Feb 6 (Monday): Summary 5 due; Feb 10 (Friday): Quiz 3.
Week 7 Feb 12 – Feb 18	Feb 13 (Monday): Summary 6 due.
Week 8 Feb 19 – Feb 25	Feb 20 (Monday): Summary 7 due; Feb 24 (Friday): Quiz 4.
Week 9 Feb 26 – Mar 04	Feb 27 (Monday): Summary 8 due;
Week 10 Mar 05 – Mar 11	Mar 06 (Monday): Summary 9 due; Mar 10 (Friday): Quiz 5.
Final Week Mar 12 - Mar 14	Take-home final project