**MICROECONOMICS + BEHAVIORAL ECONOMICS**

USFQ-Ecuador

**Instructor:** Victor Aguiar  **AUGUST, 2022**

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**Office Hours**: By appointment  
**Classroom meeting time(s) & location:** Wednesday 6-9pm

**Course Description/Overview:** This course is a graduate course on consumer theory, decision theory/revealed preferences, and behavioral economics. We first explore the concept of rational decision making in the classical environments and derive its empirical implications. Later we will study experimental evidence about how consumers really behave. Finally, we will study new theoretical models of behavioral economics that try to capture the experimental facts we have learned.

**Course Learning Outcomes:**

As a result of taking this course the students will understand the basics on decision and behavioral consumer theory. Also, they will develop a working knowledge about revealed-preferences methodology, limited consideration, rational inattention, non-expected utility models, as well as random choice.

**Prerequisites:**  This course is intended for first-year graduate students in the Masater program in the Economics Department. All such students have met the mathematical prerequisites of the program.

**Requirements and Evaluation:** Students are expected to participate in the lectures; to complete the assignments (3 exams, and weekly problem set); and to read the notes and text and participate actively in class. The course mark will be determined by the exams (70% total), the presentation, and the problem set (30%).

**Teaching Assistant**: TBA

**Topics and Reading List:** There is no required textbook for this course. We will use instead: Class notes. Scientific Articles.

* Testing Rationality: Experimental Evidence. Afriat’s Efficiency Index. Demand Estimation.
* Behavioral Consumer Theory: Limited Attention.
* Consideration Sets
* Rational Inattention
* Search and Satisficing
* Random Choice
* Consumption Over Time: Time Consistency and Hyperbolic Discounting.
* Preferences for Flexibility vs Commitment (Preferences over Menus).
* Under Risk: Non-Expected Utility Models
* Choice Under Uncertainty: Ambiguity Aversion.
* Class: Context Dependence Preferences

Readings:

* Chambers, Christopher P., and Federico Echenique. *Revealed preference theory*. Vol. 56. Cambridge University Press, 2016.
* Choi, Syngjoo, et al. "Who is (more) rational?." *The American Economic Review* 104.6 (2014): 1518-1550.
* Blundell, Richard, Martin Browning, and Ian Crawford. "Best nonparametric bounds on demand responses." *Econometrica* 76.6 (2008): 1227-1262.
* Blundell, Richard, Dennis Kristensen, and Rosa Matzkin. "Bounding quantile demand functions using revealed preference inequalities." *Journal of Econometrics* 179.2 (2014): 112-127.
* Gabaix, Xavier. "A sparsity-based model of bounded rationality." *The Quarterly Journal of Economics* 129.4 (2014): 1661-1710.
* Masatlioglu, Yusufcan, Daisuke Nakajima, and Erkut Y. Ozbay. "Revealed attention." *Behavioral Economics of Preferences, Choices, and Happiness*. Springer Japan, 2016. 495-522.
* Caplin, Andrew, Mark Dean, and Daniel Martin. "Search and satisficing." *The American Economic Review* 101.7 (2011): 2899-2922.
* Caplin, Andrew, and Mark Dean. "Revealed preference, rational inattention, and costly information acquisition." *The American Economic Review* 105.7 (2015): 2183-2203.
* Border, K. "Introductory notes on stochastic rationality." *Division of Humanities and Social Sciences, Caltech* (2007).
* Matejka, Filip, and Alisdair McKay. "Rational inattention to discrete choices: A new foundation for the multinomial logit model." *The American Economic Review* 105.1 (2014): 272-298.
* Gul, Faruk, and Wolfgang Pesendorfer. "Temptation and self‐control." *Econometrica* 69.6 (2001): 1403-1435.
* Laibson, David. "Golden eggs and hyperbolic discounting." *The Quarterly Journal of Economics* 112.2 (1997): 443-478.
* Kahneman, Daniel, and Amos Tversky. "Prospect theory: An analysis of decision under risk." *Econometrica: Journal of the econometric society* (1979): 263-291.
* Bordalo, Pedro, Nicola Gennaioli, and Andrei Shleifer. 2016. “Competition for Attention.” Review of Economic Studies 83 (2): 481-513