

ECON2013

Behavioral Economics: Psychology and Economics

This course aims to teach students some techniques of behavioral economics, classical economics, and compare the two approaches. It focuses on the principles and basic models of decision-making used by both streams of economists, as well as their consequences.

Mode of Delivery	On campus
Prerequisites	To enrol in this course you must have successfully completed 24 units of any courses.
Incompatible Courses	Not applicable
Co-taught Courses	Not applicable
Course Convener:	Ralf Steinhauser
	
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Tutor(s)	TBD

SEMESTER 2

2018

COURSE OVERVIEW

Course Description

This course is an introduction to a fast-expanding field of economics, Psychology and Economics or as it is often referred to, Behavioral Economics. It is not an easy field to define, but those who sympathize with it tend to share the belief that economists should aspire to making assumptions about humans that are as realistic as possible, and hence that we should develop methods and habits of mind to learn what is psychologically realistic. Hence, a lot of work in the field is based on evidence that economists tend to ignore: evidence based on experiments, asking people stuff, and looking at the work of psychologists and other scientists. I will describe some of this research in this course.

The field, however, is not a fundamentally different way of doing economics. In this course, just like in any other economics course, we will be attempting to think precisely (and often formally) about what might be driving a particular behavior or economic outcome, and about how to carefully test our hypotheses. By the nature of this field, a lot of work is based on evidence from experiments, asking people stuff, and looking at the work of psychologists and other scientists. Topics include charitable giving, drug use, gambling, over-eating, overconfidence and procrastination.

Behavioral economics is invaluable to anyone with an interest in human behavior. It is particularly relevant to those with an interest in economics, management, marketing, industrial organization, public policy, and the psychology of judgment and decision-making. No previous acquaintance with economics is necessary.

Learning Outcomes

On satisfying the requirements for this course, students should have the knowledge and skill:

1. to understand and apply effectively the theories of behavioural economics to current debates.
2. to understand and be able to explain research in behavioural economics and understand its limitations.
3. to understand the tools taught in class and be able to recognise their application to the analysis of real world situations.
4. to understand aspects of decision-making under uncertainty, inter-temporal choice and simple applied game theory.

Assessment Summary

Assessment Task	Value	Due Date	Date for Return of Assessment	<i>Linked Learning Outcomes (optional)</i>
1. Problem sets	20%	1 week after handout, see course schedule below	1 week after due date for handing in.	1, 2, 3 & 4.
2. Midsemester exam	40%	<i>Wk 7 (or Wk 6)</i>		1, 2, 3 & 4.
3. Final exam	40%			1, 2, 3 & 4.

Research-Led Teaching

The lecturer is a user and developer of behavioral models and applications in his own research. As a consequence, students will be exposed to the use of behavioural models in current economic research.

Feedback

Staff Feedback

It is hoped that the lectures will involve a lot of discussion, questions and answers. We will provide timely grading and return of the fortnightly problems sets so that the students know how they have done on one piece of assessment before the next piece of assessment is due. There will be a review of the mid-semester exam (in tutorial time) and thus feedback to the class as whole

Student Feedback

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to

<http://unistats.anu.edu.au/surveys/selt/students/> and
<http://unistats.anu.edu.au/surveys/selt/results/learning/>

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University's academic standards, and implement them.

You can find the University's education policies and an explanatory glossary at:

<http://policies.anu.edu.au/>

Students are expected to have read the [Academic Misconduct Rule](#) before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
- Student Surveys and Evaluations

Recommended Resources

Summaries for each topic will be provided as handouts.

Possible supplementary readings:

- Erik Angner, *A course in behavioral economics* [Angner]
- Nick Wilkinson and Matthias Klaes *An Introduction to Behavioral Economics 2nd Edition* [Wilkinson-Klaes] (Nick Wilkinson *An Introduction to Behavioral Economics 1st edition* [Wilkinson])
- David Just *Introduction to behavioral economic* [Just]

COURSE SCHEDULE

Week	Summary of Activities	Assessment
0	Chapter references below refer to the 4 above books as stated..	
1	<p>0. Introduction</p> <ul style="list-style-type: none"> Origins of behavioral economics <p>Themes in psychology and economics</p> <ul style="list-style-type: none"> illustrated through a few examples. 	
2	<p>I. Reference-Dependent Preferences – 4 lectures</p> <ul style="list-style-type: none"> Kahneman and Tversky’s classic experiments. Prospect theory. Market implications: labor supply, marketing, consumption patterns, small investors behavior. 	
3	<p>[Angner Part I; Wilkinson-Klaes Chapter 5 (Wilkinson: Ch 3); Just Ch 10]</p>	Problem Set 1
4	<p>II. Intertemporal Choice — 8 Lectures</p> <ul style="list-style-type: none"> Samuelson’s exponential-discounting model. 	
5	<ul style="list-style-type: none"> Self-control problems and hyperbolic discounting. 	
6	<ul style="list-style-type: none"> Harmful substances and government policy. Anxiety, optimism and other anticipatory emotions. 	Problem Set 2
Teaching Break	<ul style="list-style-type: none"> Misperception of utility. <p>[Angner Part IV; Wilkinson-Klaes Chapter 7/8 (Wilkinson: Ch 5/6) ; Just Ch 11-13, 8]</p>	
7		Midsemester exam
8	<p>III. Heuristics and biases — 2 Lectures</p> <ul style="list-style-type: none"> . Views of bounded rationality. <p>[Angner Part II; Wilkinson-Klaes Chapter 4 (Wilkinson: only some in Ch 9); Just Ch 7,(8)]</p>	
9	<p>IV. Malleability and Inaccessibility of Preferences or “Making it up”— 2 Lectures</p> <ul style="list-style-type: none"> Construction of preference. Choice sets and choices, Menu effects, Narrow Bracketing Mental Accounting. <p>[Angner Part I+III; Wilkinson-Klaes Chapter 3/6 (Wilkinson: some in Ch 4); Just Ch 3-4,6]</p>	Problem Set 3
10	<p>V. Social Preferences — 4 Lectures</p> <ul style="list-style-type: none"> Classic experiments: Ultimatum and dictator Games Distributional Preference Face Saving Concerns 	

11	<ul style="list-style-type: none"> Fairness Preferences <p>[Angner Part V; Wilkinson-Klaes Chapter 10 (Wilkinson: Ch 8); Just Ch 14-15]</p>	Problem Set 4
12	<p>VI. Behavioral Game Theory — 2 Lectures</p> <ul style="list-style-type: none"> Game theory versus behavioral game theory. Irrational players and equilibrium. <p>[Angner Part V; Wilkinson-Klaes Chapter 9 (Wilkinson: Ch 7)]</p>	
	Examination period	

ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online](#) website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the University's Academic Misconduct Rule.

Assessment Tasks

Assignment submission

Offline Submission: Students will have to submit their answers to the problem set via Turnitin by the date and time given for each problem set. Assignments may but don't have to include the cover sheet that can be downloaded from <https://www.rse.anu.edu.au/media/720171/Assignment-Cover-Sheet.pdf>.

Extensions and penalties

Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Please note that, in general, late problem sets will not be accepted. Your mark for a problem set that is not submitted before the deadline will be zero.

A single problem set makes up a comparatively small part of the final grade such that if an unanticipated contingency arises during the semester that hinders you from submitting one problem set on time that only has a very limited effect on your final grade.

Returning assignments

The graders will endeavour to return your assignments one week after the submission date and before the submission deadline for the following assignment.

Scaling

Your final mark for the course will be based on the **raw** marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

Privacy Notice

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor's terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit 'content' to a database, such as an assignment or short answers, the database licensor may only use the student's 'content' in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor's terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

Tutorial Seminar Registration

Tutorial signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle or during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to Wattle, and go to the course site
2. Click on the link "Tutorial enrolment"
3. On the right of the screen, click on the tab "Become Member of...." for the tutorial class you wish to enter
4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab "Leave group...." and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.

SUPPORT FOR STUDENTS

The University offers a number of support services for students. Information on these is available online from <http://students.anu.edu.au/studentlife/>