

## SYLLABUS

**ARE 133:**

**Introduction to Behavioral Economics**

UC Davis, Department of Agricultural and Resource Economics

Fall Quarter 2019

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*!Please read this information carefully. It describes important course policies and deadlines!*

*“Human beings, viewed as behaving systems, are quite simple. The apparent complexity of our behavior over time is largely a reflection of the complexity of the environment in which we find ourselves.” (Herbert A. Simon, *The Science of the Artificial*, 1996: p. 53)*

### **Course overview:**

This course introduces you to behavioral economics, a field of economics focused on “behavioral anomalies” or common and systematic deviations from behavior implied by rational economic models. It considers how non-economic factors such as psychological principles shape economic decisions. However, rather than replacing a traditional approach, this course promotes a more thorough understanding of its models. Using examples from the literature, we will introduce behavioral principles such as status quo and default bias, over confidence, loss aversion, and procrastination in three main areas of study: consumer purchasing decisions, decisions under uncertainty, and decisions over time. We will discuss strategies to improve personal behavior and approaches in marketing and management that incorporate detected behaviors. *4 units.*

### **Learning objectives:**

By the end of this quarter you will have a basic understanding of

- 1. behavioral principles studied in this interdisciplinary field.**
2. common pitfalls of seemingly irrational behavior.
3. strategic responses to behavioral biases applied to business decisions and policy approaches.
4. applied research/analysis methods and key findings described in academic papers.

### **How this course works:**

The material covered in this course introduces you to powerful concepts affecting your everyday decision making. Throughout the course, we will discuss numerous applications from the business world and beyond. The material provided is designed to support the above stated learning objectives and introduces you to key concepts and principles. You are expected to familiarize yourself with the information in the assigned reading prior to coming to class. We will then discuss important points and add context in lectures. Sections will further allow you to increase your understanding of the covered concepts. You will work through applied exercises and participate in select experiments discussed in the literature. **Your engagement with the material during class time and beyond will reinforce your learning. If you do not understand something or need additional help, please ask. If you do not feel comfortable asking in lecture or sections, come see me or your TA in office hours. We are happy to help!**

### Quizzes and participation:

We all procrastinate. Incentives serve as commitment devices to keep up and stay engaged with the material throughout the quarter.

**We will have weekly quizzes at the beginning of lecture on Tuesday.** The quizzes test whether you read the assigned chapters in your textbook. **There will be a total of 9 quizzes, and I will drop**

**your two lowest quiz scores in computing your final grade.** You will need a UCD2000 (blue or red) scantron for each quiz.

In addition, you will be able to actively participate and test your understanding by responding to questions using iclicker remotes or the iclicker app (Reef) throughout lectures. I will randomly choose one question from each lecture to assign up to two participation points for each day (one point if you submitted an answer and an additional point if you submitted the correct answer). While you can receive more points, 30 points will count as a 100% participation score towards your final grade. **This censured scoring allows you to learn from answering questions incorrectly, miss one or two lectures, or encounter technical difficulties. No additional adjustments will be made to your participation scores.**<sup>1</sup>

#### Journal entries:

You are also asked to reflect on the material we cover in a *journal*. You will have to **submit select reflections electronically each week on Friday (by midnight, see Canvas assignments)**. This is an opportunity to comment on the material covered in weekly lectures and sections as well as the additional reading assignments (journal articles), allow you to demonstrate your comprehension of the material and begin your inquiry of specific areas you want to focus on in your final project. While I recommend you submit a reflection each week, only **five of these will count towards your final grade**. Late submissions will not be accepted.

#### Exams:

There will be **one midterm on Tuesday, November 5<sup>th</sup>**. It will test your understanding of the simpler and easier accessible “anomalies” covered during the first half of the quarter. Please bring a UCD2000 (blue or red) scantron form on the day of the midterm. The exam will consist of multiple choice questions, true/false questions, and short answer analytic questions.

#### Final project:

The concepts covered during the second half of the quarter are more difficult and the primary goal is for you to master these ideas intuitively. However, I would like you to gain a deeper understanding of at least one of the topics covered throughout the quarter and **complete a final project**. This project can either follow the format of an academic research paper or a business case analysis and you will be asked to complete it in small groups. In order to help you to specify an appropriate question as a first step towards successful completion of this course requirement, you will be asked to submit a **short proposal (300 words max) electronically by Sunday, October 20<sup>th</sup>**. Your **final project should be 10-15 written pages and is due on Tuesday, December 10<sup>th</sup>**. Additional information regarding this project is provided in a separate handout. I encourage you to think about this early and seek feedback throughout the quarter.

**There will be no make-up exams or assignments and late submissions will not be accepted.** However, if due to a serious illness, family tragedies or other extraordinary circumstances, you are unable to fulfill one of the graded requirements, your final grade will be based solely on the remaining assignments and exams. You must contact me immediately with appropriate documentation in order to receive this accommodation.

**Prerequisites:** Econ 1A, Stat 13

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<sup>1</sup> You can choose to opt out of the participation part of your grade altogether, however. If you decide to do so, you must see me in person in my office hours to discuss this option for grading before the midterm. In this case, all other assignments receive a higher weight in your overall grade.

**Required:** **Introduction to Behavioral Economics: Noneconomic factors that shape economic decisions by Davis Just**

Additional readings as indicated and posted on Canvas

**iClicker2 (campus standard), iclicker Reef App<sup>1</sup>**

**Recommended:** The Undoing Project: A Friendship that Changed our Minds. Michael Lewis. W.W. Norton & Company, 2016

Thinking Fast and Slow. Daniel Kahneman, Farrar, Straus and Giroux, 2011

Nudge: Improving Decisions About Health, Wealth, and Happiness. Richard H. Thaler and Cass R. Sunstein, Penguin books, 2008

Predictably Irrational: The Hidden Forces that Shape our Decisions, Dan Ariely. Harper Collins Books, 2008.

The Black Swan: The Impact of the Highly Improbable. Nassim Nicholas Taleb, Random House, 2007

Blink: The power of thinking without thinking. Malcolm Gladwell, Time Warner Book Group, 2005

Mindless Eating: Why we eat more than we think, Brian Wansink, Random House Publishing Group, 2010.

*(Please note that I decided to keep this reference despite the fact that Brian Wansink's research has become under attack for manipulating his results. Since then, a number of his original publications have been retracted from journals. This ongoing discussion is a valuable lesson on scientific integrity.)*

**Lectures:** T/R 12:10 – 1:30pm, Wellman 126

**Sections:** T 5:10 – 6:00pm or 6:10 – 7:00pm, Young 185

**Office hours:** T 10:00 – 11:00am, SSH 2147

R 9:00 – 10:00am, SSH 2147

*The best way to meet me outside of office hours is to email me and schedule a time. **If you have any problems with this course, or with any other matters that may affect your work in this course, please contact me immediately.***

**Teaching Assistants:** Sean Kiely (Tuesday sections, email: [sfkiely@ucdavis.edu](mailto:sfkiely@ucdavis.edu))

Office hours: F 10:00 – 11:00am, SSH 2143

**Grades:**

Your final numerical score will be calculated based on participation, **quizzes, lecture participation, essays, midterm, and final project.** Numerical scores will not be converted to letter grades until the end of the quarter and specific letter grades will not be assigned to individual assignments. I will provide feedback on your performance over the course of the quarter, however. The final score breakdown and grade distribution is as follows:

Participation	6%	(30 points)
Quizzes	14%	(70 points)
Short essays	10%	(50 points)
Midterm	30%	(150 points)

Project proposal	10%	(50 points)
Final project	30%	(150 points)
	<b>100%</b>	<b>(500 points)</b>

Percent	Points	Grade
<b>93 – 100%</b>	500 – 465	A
<b>90 – 92%</b>	450 – 464	A-
<b>87 – 89%</b>	435 – 449	B+
<b>83 – 86%</b>	415 – 434	B
<b>80 – 82%</b>	400 – 414	B-
<b>77– 79%</b>	385 – 399	C+
<b>73– 76%</b>	365 – 384	C

**Tentative schedule:**

Week	Subject	Assigned Readings (Just, and journal articles)
Week 1 (R 09/26)	Introduction and course logistics	<i>Frank et al 1993; Ashraf et al 2005</i>
Week 2 (T 10/01, R 10/04)	Rational choice theory and rational modeling	Chapter 1 <i>Simon 1978</i>
Week 3 (T 10/08, R 10/10)	Consumer purchasing decisions: - Transaction utility and consumer pricing	Chapter 2 <i>Della Vigna and Malmendier 2006; Just and Wansink 2011</i>
Week 4 (T 10/15, R 10/17) <b>Project proposal due 10/20</b>	Consumer purchasing decisions: Mental accounting	Chapter 3 <i>Just 2006; Heath and Soll 1996</i>
Week 5 (T 10/22, R 10/24)	Consumer purchasing decisions: Status quo bias and default options	Chapter 4 <i>Johnson and Goldstein 2003; Loewenstein and Adler 1995</i>
Week 6 (T 10/29, R 10/31)	Decisions under uncertainty: Choice bracketing	Chapter 6 <i>Camerer et al 1997</i>
Week 7 (T 11/05, R 11/07) <b>Midterm: T 11/05</b>	Decisions under uncertainty: Representativeness and availability	Chapter 7 <i>Bertrand and Mullainathan 2004</i>
Week 8 (T 11/12, R 11/14)	Decisions under uncertainty: Confirmation and overconfidence	Chapter 8 <i>Barber and Odean 2001</i>
Week 9 (T 11/19, R 11/21)	Decisions under uncertainty: Confirmation and overconfidence	Chapter 8 (cont.) <i>Darley and Gross 1983</i>
Week 10 (T 11/26, R 11/28) <b>Thanksgiving holiday: 11/28 (no lecture)</b>	Decisions over time: Projection and hindsight bias	Chapter 11 <i>Read and van Leeuwen 1998</i>
Week 11 (T 12/03, R 12/05) Last day of instruction: 12/06	Decisions over time: Procrastination	Chapter 12 <i>Ariely and Wertenbroch, 2002</i>
<b>Final paper due: Tuesday 12/10</b>		

**Academic Conduct:**

You are an active member of the UC Davis campus and essential in our efforts to create a fair and honest community. Please review the [Code of Academic Conduct](#). Familiarize yourself with your rights and responsibilities as you are required to acknowledge them for each of your courses. I encourage you to work together as I strongly believe it supports the learning process. However, your submitted quiz and exam answers need to be your own, and any sources used in the preparation of your final project need to be properly cited (Please refer to [additional information on proper citation](#)). **Any violation will result in you receiving no credit for the assignment in question, and me reporting the incident to the Office of Student Support & Judicial Affairs.**

**Courtesy:**

As a courtesy to your fellow students and me, please be on time for class. If you arrive late or leave early, please do so quietly. **If you arrive after we started a quiz, you will not be able to take the quiz that day. Please only use your electronic devices (phones, tablets, laptops) for class purposes.** Applications created for these devices seek to capture our attention and inhibit your active participation, and distract students around you. The first two rows of our lecture room are reserved for students that want to try to not use their electronic devices.

**When interacting with your classmates, please be respectful.** UC Davis is a diverse community comprised of individuals having many perspectives and identities. In order to create an inclusive and intellectually vibrant community, we must understand and value individual differences and common ground. The [UC Davis Principles of Community](#) reflect the ideals I seek to uphold in this class.

**Disabilities:**

If you have a learning disability or a physical disability that requires accommodation, please let me know as soon as possible. I will accommodate all needs that have been verified through the [Student Disability Center](#).

**I hope you will enjoy this course and I wish you a successful quarter.**