ARE 133: Introduction to Behavioral Economics
UC Davis, Department of Agricultural and Resource Economics
Spring Quarter 2023
Kristin Kiesel (she/her)

Please read the information provided here carefully and reach out to me with any additional questions and concerns!

“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. bounded rational or seemingly irrational behavior.
2. strategic responses to behavioral biases applied to business decisions and policy approaches.
3. applied research/analysis methods and key findings described in influential academic papers.
4. behavioral puzzles studied in this interdisciplinary field.

I encourage you to define your own learning objectives, Intrinsic motivation, engaging with the course material for the satisfaction of furthering your understanding, rather than for extrinsic rewards (e.g., good grades), is a powerful determinant of success. Social scientists have repeatedly documented that in order to learn, you must challenge yourself, try something new, and embrace that making “mistakes” is an important part of learning.

How this course works:
The material covered in this course introduces you to powerful concepts and influential ideas, but also shortcomings of social science research focused on better understanding our everyday decision making. My goal as an instructor is to give you access to knowledge, while simultaneously challenging your perceptions and beliefs. I am intentionally combining analytical and experiential ways of knowing as a richer way of learning.

Regular lecture and section attendance, being prepared and present is essential to succeeding in this course. You will be asked to engage with academic research, and I understand that comprehension of the assigned reading can be challenging, especially upon a first read. Nevertheless, it will be key that you familiarize yourself with the assigned readings prior to attending lectures and sections each week. I will post lecture slides prior to lectures and encourage you to take your own notes while we discuss important points and add context in lectures. Sections will further your understanding of the covered concepts by allowing you to work through applied exercises and participate in experiments discussed in the literature.

We will study more accessible concepts during the first half of the quarter, while the second half serves as an introduction to more advanced topics. Rather than testing you on all concepts covered, you are asked to go into depth and further your understanding of at least one topic by completing an academic research proposal or a business analysis. Successfully completing this final project will require you to creatively think about and work on this project throughout the quarter, challenge and support your developed ideas with covered in lecture, and feedback received from your group members, TA’s and myself. Your
willingness to engage with the covered material and behavioral economics research is an important
cOMPONENT OF OUR COLLECTIVE LEARNING AND WHAT WE WILL BE ABLE TO ACCOMPLISH THIS QUARTER.

**Lectures:**
T/R 12:10 – 1:30pm, Young 194

**Sections:**
T 5:10 – 6:00pm or 6:10 – 7:00pm, Wellman 115

**Student (office) hours:** R 2:00 – 3:00pm, SS&H 2147  (Kristin Kiesel, instructor)
To be announced  (Sean Kiely, Lead TA)
To be announced  (Jiawei Guo, TA)

**Canvas discussions tab:** Please use this Canvas feature to reach out with additional questions,
comments or concerns throughout the quarter. Only send me an email for personal questions or concerns that cannot be shared or discussed publicly.

**Required Texts: Introduction to Behavioral Economics: Noneconomic factors that shape economic decisions by Davis Just**
To reduce student costs and ensure easy access, the textbook is made available as an e-book for this course. If you are part of the Equitable Access program, you can click on the Bookshelf tab on Canvas to access the textbook. If you opted out of this program, you have the opportunity purchase the e-book on the bookshelf tab. Please note that you have other ways to get access to the textbook including through the library (see Reading list tab in Canvas)

Additional readings as indicated and posted on Canvas

**Required Technology: iClicker Reef App**
You will need this app to actively participate in lectures and sections. It is available for UC students for free. If you do not already have an account, you should have received an email with additional instructions.

**Recommended:**


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


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


Podcasts: Dan Ariely (various podcasts); Choiceology with Katy Milkman

Additional articles, reports, and podcasts posted on Canvas
### Tentative Schedule:

<table>
<thead>
<tr>
<th>Week</th>
<th>Subject</th>
<th>Assigned Readings (Just, and journal articles)</th>
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<tbody>
<tr>
<td>Week 1 (T 4/4, R 4/6)</td>
<td>Introduction and course logistics</td>
<td>Frank et al 1993; Ashraf et al 2005</td>
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<tr>
<td>Week 2 (T 4/11, R 4/14)</td>
<td>Rational choice theory and rational modeling</td>
<td>Chapter 1 Simon 1978</td>
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<td>Week 3 (T 4/18, R 4/20)</td>
<td>Consumer purchasing decisions: Transaction utility and consumer pricing</td>
<td>Chapter 2 Della Vigna and Malmendier 2006; Just and Wansink 2011</td>
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<tr>
<td>Project proposal due 4/29</td>
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<tr>
<td>Week 5 (T 5/2, R 5/4)</td>
<td>Consumer purchasing decisions: Status quo bias and default options</td>
<td>Chapter 4 Johnson and Goldstein 2003; Loewenstein and Adler 1995</td>
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<tr>
<td>Week 6 (T 5/9, R 5/11)</td>
<td>Decisions under uncertainty: Choice bracketing</td>
<td>Chapter 6 Camerer et al 1997</td>
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<tr>
<td>Week 7 (T 5/16, R 5/18)</td>
<td>Decisions under uncertainty: Representativeness and availability</td>
<td>Chapter 7 Bertrand and Mullainathan 2004</td>
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<tr>
<td>Midterm: T 5/16</td>
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<tr>
<td>Week 8 (T 5/23, R 5/25)</td>
<td>Decisions under uncertainty: Confirmation and overconfidence</td>
<td>Chapter 8 Barber and Odean 2001; Darley and Gross 1983</td>
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<tr>
<td>Week 9 (T 5/30, R 6/1)</td>
<td>Decisions over time: Projection and hindsight bias</td>
<td>Chapter 11 Read and van Leeuwen 1998</td>
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<tr>
<td>Week 10 (T 6/6, R 6/8)</td>
<td>Decisions over time: Procrastination</td>
<td>Chapter 12 Ariely and Wertenbroch, 2002</td>
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<tr>
<td>Final paper due: Friday 6/9 (midnight)</td>
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*Pre-lecture quizzes will test whether you read the assigned chapter. When more than one journal article is listed, please read at least one of them based on your interest.

### Graded Assignments, Projects, and Exams:

Graded assignments are meant to support the development of effective study habits and provide you with constructive feedback. We all procrastinate, and they serve as incentives or commitment devices to stay engaged with the material throughout the quarter. They should not be your primary motivation for engaging with the material, however.

#### Quizzes:

**You are asked to take a pre-lecture quiz on Canvas each week.** It tests whether you read the required textbook chapter for each week. You will have to complete this quiz before each Tuesday lecture (it will be available 24 hours prior).1 This quiz tests whether you read the required texts for each week. There will be a total of 8 quizzes and I will drop your two lowest quiz scores in computing your final grade.

#### Lecture participation (iClicker App):

**You are asked to actively participate and test your understanding by responding to questions using the iClicker App in lectures.** Please make sure you are registered (using your UC Davis information). I will ask questions throughout lectures and randomly choose one question to assign up to two participation points for

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1 There will be no pre-lecture quiz during the first week and midterm week.
each lecture (or section). You receive one point if you submitted an answer and an additional point if you submitted the correct answer. will count as a 100% participation score towards your final grade. Please note that it is possible to receive slightly more than 30 points by end of the quarter. This cut-off scoring allows you to learn from answering questions incorrectly, miss a lecture or two, or encounter occasional technical difficulties when submitting your answers. No additional adjustments are made to your iClicker score. 2

Weekly reflections (Journal entries):

You are asked to regularly reflect on the material covered and submit a journal entry as an assignment each week. These assignments give you an opportunity to share what you have learned by engaging with each week’s assigned readings and material presented in lectures and sections; what connections you have made based on your personal experiences; and what additional questions you might have. You can also discuss ideas related to each week’s material in preparation for your final project. Journal entries can be submitted in whatever format you feel most comfortable in when expressing your thoughts (e.g., upload a picture of a hand-written text, draw a diagram, or record yourself and post a video or audio track). Journal entries will be graded based on effort and you will receive feedback for each of your submissions. I will also incorporate select reflections during lectures in the following weeks. Each entry is due by midnight on Friday (see Canvas assignments posted). If you turn in more than six of reflections, your six highest scores will count towards your final grade.

Exams:

There will be one midterm on Tuesday, May 16. You will take the midterm during lecture. Please bring a UCD2000 (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, and will be curved based on the highest score received. A practice exam is posted on Canvas.

Final project:

You are asked to complete a final project by the end of the quarter. This project can either follow the format of an academic research proposal or a business analysis on a topic of your choice that allows you to apply at least one of the concepts discussed this quarter and gain an in-depth understanding. In either case, it will require a thorough literature review and thinking about how one could run an experiment or use data to test a derived hypothesis. In order to help you specify an appropriate question as a first step towards successful completion of this project, you will be asked to submit a short proposal. Additional information regarding this project is provided in a separate handout. I encourage you to think about this starting in week one and seek frequent feedback throughout the quarter.

Grades:

Your final grade will be calculated based on participation, quizzes, weekly reflections, project proposal, 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 A point earned on any given assignment has the exact same weight, and the grading scheme is set up to allow you to more than make up for lost points by improving your performance throughout the quarter:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight</th>
<th>Points</th>
<th>Grade</th>
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<tbody>
<tr>
<td>Participation</td>
<td>6%</td>
<td>(30 points)</td>
<td>93 – 100%</td>
</tr>
<tr>
<td>Quizzes</td>
<td>12%</td>
<td>(60 points)</td>
<td>90 – 92%</td>
</tr>
<tr>
<td>Weekly reflections</td>
<td>12%</td>
<td>(60 points)</td>
<td>87 – 89%</td>
</tr>
<tr>
<td>Project proposal</td>
<td>10%</td>
<td>(50 points)</td>
<td>83 – 86%</td>
</tr>
<tr>
<td>Midterm</td>
<td>30%</td>
<td>(150 points)</td>
<td>80 – 82%</td>
</tr>
<tr>
<td>Final project</td>
<td>30%</td>
<td>(150 points)</td>
<td>77– 79%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>(500 points)</td>
<td>73– 76%</td>
</tr>
</tbody>
</table>

2 You can choose to opt out of the participation score altogether. If you decide to do so, you need to contact me via email before the midterm. In this case, all other assignments receive a higher weight when computing your final grade.
Special accommodations:
If you have a learning difficulty and your circumstances require additional accommodations, please let me know as soon as possible. I will accommodate all needs that have been verified through the Student Disability Center. If your circumstances further interfere with deadlines and scheduled exams, please provide additional documentation such that I can verify your circumstance and work with you to address your situation. In the past, I have made accommodations for medical emergencies, experienced economic and social distress, conflicting one-time professional opportunities or job obligations that cannot be rescheduled, and athletes’ schedules. Please note that I do not give make-up assignments or exams. If you are excused from completing an assignment or exam, your final grade will be based solely on your completed assignments.

Academic Conduct:

Your primary responsibility is to make sure that you can be present and engaged as a student and learner in this course. Please add lectures, sections, assignments and exams to your calendar.

Being an active and conscientious member of the UC Davis campus is essential to our efforts to create a fair and honest learning community. Please review the Code of Academic Conduct and make sure you know with your rights and responsibilities. I support and encourage working together. However, your submitted quiz and exam answers need to be your own. They are meant to reflect what you know at that point in time. Furthermore, any sources used in the preparation of your group project need to be properly cited, and the use of ChatGPT might be a starting point, but not a substitute for critically reflecting and continuously editing your final project. Please also take advantage of services offered by the AATC Writing Support Center.

Copyright: My lectures and course materials, including lecture presentations, assignments, and exams, are protected by U.S. copyright law and by University policy. I am the exclusive owner of the copyright in those materials I create. You may make copies of course materials for your own use. You may also share those materials with other students who are currently enrolled in or are auditing this course, except when taking quizzes and exams. You may not reproduce, distribute or display (post/upload) lecture notes, recordings, assignments, exams, or any other course materials — whether or not a fee is charged — without my expressed prior written consent. You also may not allow others to do so and need to hold each other responsible.

Any violation of academic honesty, fairness, and integrity will result in zero points for the assignment or exam in question and my reporting of the incident and everyone involved to the Office of Student Support & Judicial Affairs (OSSJA).

Diversity, Equity, and Inclusion:

I would like to acknowledge the land on which we are gathered. For thousands of years, our campus has been the home of Patwin people. Today, there are three federally recognized Patwin tribes: Cachil DeHe Band of Wintun Indians of the Colusa Indian Community, Kletsel Dehe Wintun Nation, and Yocha Dehe Wintun Nation. The Patwin people have remained committed to the stewardship of this land over many centuries. It has been cherished and protected, as elders have instructed the young through generations. We are honored and grateful to be here today on their traditional lands.

UC Davis is a community comprised of individuals with diverse perspectives and identities. I am committed to playing a vital role in increasing diversity in my discipline (agricultural and resource economics). As such, I strive to create a learning environment that supports diversity of thoughts and acknowledges the intersectionality personal experiences and identities (including race, gender, class, sexuality, religion, ability, etc.). The economics profession is home to disproportionately few African American/Black, Hispanic/Latinx and Native American/Alaskan Native (AHN) faculty and students, and I acknowledge biases in the course materials selected due to the lens with which they were written and presented. Please share any concerns or suggestions you might have as I can continue to learn and strive to correct these going forward.

3 For more information on my commitment to DEI in higher education and ways to get involved, please visit our DIRECT Program Website.