Course: **Applied Behavioral Economics** (ECON 6295, section 11)  
(a.k.a. “Economics in Theory and Practice: A Somewhat Irreverent View”)

Semester: Fall 2016  
Time: Mon, 6:10-8:40 pm  
Location: Rome Hall, Room B103  
801 22<sup>nd</sup> St NW

**INSTRUCTOR**  
Name: **Dr. Diane Lim**  
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Office hours: immediately after class, or by appointment

**COURSE DESCRIPTION**  
This course will first discuss/review the fundamentals of microeconomic and macroeconomic theory at an intermediate level and then critique where theories have failed to accurately explain or predict real-world behavior, motivating the more recent interdisciplinary "behavioral economics" approach. Can economists stray from the "one size fits all" approach of modeling the decisions of rational “homo economicus” and yet still have enough of a theoretical foundation to be able to predict economic outcomes? Students will compare and contrast traditional vs. behavioral economics research applied to a variety of public policy and organizational practice issues.

**COURSE PREREQUISITE(S)**  
Intermediate-level microeconomic theory, intro-level macroeconomics

**TEXTS**

Textbook (required):  

“This textbook introduces all the key results and insights of behavioral economics to a student audience. Ideas such as mental accounting, prospect theory, present bias, inequality aversion, and learning are explained in detail. These ideas are also applied in diverse settings such as auctions, stock market crashes, charitable donations and health care, to show why behavioral economics is crucial to understanding the world around us…This book remains the ideal introduction to behavioral economics for advanced undergraduate and graduate students.”

Additional books to be drawn from (* are required)
Resources on public policy applications:

- Executive Office of the President, Social and Behavioral Sciences Team, *Annual Report* (September 2015) and *2nd Annual Report* (September 2016)

Students should also have a good, intermediate microeconomics book as reference:
(such as) Walter Nicholson and Christopher Snyder, *Microeconomic Theory: Basic Principles and Extensions, 11th ed.* (2011)

“Listening List”
- “The Hidden Brain” – NPR podcast series by Shankar Vedantam
- “Freakonomics” Radio
- “Planet Money” – another NPR podcast series w/ some behavioral econ stories

LEARNING OUTCOMES:

As a result of completing this course, students will be able to:

1. Understand the predictive value of traditional economic theories, yet also identify where traditional theories of the rational, fully-informed economic agent fail to adequately explain the behavior of individuals and groups;
2. Evaluate the merits of alternative private-market mechanisms and public policies, given the responses of individuals to price signals vs. other non-market “cues”/“nudges”;
3. Seek out opportunities and design methodological strategies for research that better and further utilizes “big data” and interactive formats to understand more about what drives individual- and family-level decisions;
4. Write and present/speak effectively on these topics, recognizing different audiences.

ANTICIPATED HOURS of WORK

Over the course of the semester, students will spend approximately 2.5 hours (150 minutes) per week in class; there are 14 class meetings. Required reading for the class meetings and written response papers or projects are expected to take up, on average, 7 hours (350 minutes) per week. Thus, over the course of the semester, students will spend approximately 35 hours in instructional time and 105 hours preparing for class.

GRADING
• Weekly assignments (writing summaries of readings, responses to review questions, and talking points for class – email to professor before class begins) – total of 30%
• One required “term paper”—on a public policy or business practice application of behavioral economics—due on the last day of class – 30%
• A presentation to and discussion with the class of your paper topic in progress – 10%
• A final assignment/analysis/take-home exam to be completed during finals week (over a 2-hour period) – 20%
• Overall class participation – 10%

COURSE PLAN/TIMELINE and READING ASSIGNMENTS
Note: other readings will be added from week to week as we go along. The best way to keep up with reading assignments is to check Blackboard regularly.

• Chapter 1 in Cartwright
• Richard Thaler’s AER article, July 2016, “Behavioral Economics: Past, Present, and Future”
• Rodrik and Ariely books (start and try to finish by Sept. 12-19). Rodrik is a (respectful) critique of traditional economic theory but can get denser than it needs to be in parts, but don’t get too bogged down. Ariely is a lighter and more fun read and good sampling of how the “behavioral” field deviates from traditional economic theory.

September 5: NO CLASS/Labor Day (keep reading through Rodrik and Ariely books and start skimming through Kahneman)

September 12 and 19: Rational “Homo Economicus” vs. Real-World Homo Sapiens
• Chapter 2 in Cartwright (“simple heuristics” in decisionmaking)
• Rodrik book (economic theories and models (“rules”) and how to use/view responsibly)
• Kahneman’s distinction between “thinking fast” (“system 1”) and “thinking slow” (“system 2”) (start reading – will refer to specific parts each week)
• Ariely book (his examples of “irrational” yet predictable behavior)
• Examples posted on Blackboard: Uber drivers and labor supply (vs. traditional taxi drivers), investors overreacting to (old) news
• Listen to Hidden Brain, episode 42 (8/23/16): Dan Gilbert, “Decide Already!"

September 26: Dealing with Risk
• Chapter 3 in Cartwright (“choice with risk”)
• Chapters from “Part 4” of Kahneman on “Choices” (pgs. 269-374)
• (optional) Imas paper on realized vs. paper losses, American Economic Review 8/2016 (pdf of full paper posted on Blackboard); WSJ story
• Planet Money podcast on “The Risk Farmers,” episode 723 (9/7/16); here is NPR morning edition short form

October 3: Foresight and Planning Horizons
• Chapter 4 in Cartwright (“choosing when to act”)
• (optional) Supplemental survey pieces posted on Blackboard (all co-authored by Oleg Urminsky of U. Chicago Booth School)

October 10: Processing Information (under Uncertainty)
• Chapter 5 in Cartwright (“learning from new information”)

October 17: Interacting with Other (Real) People
• Chapter 6 in Cartwright (“interacting with others”)

October 24: NO CLASS/Fall Break (read Marçal book and work on topic for your paper/presentation)

October 31: Caring about Other People (Altruism, Interdependent Utility)—and the Women’s Perspective (paper/presentation topic due – paragraph/abstract length)
• Chapter 7 in Cartwright (“social preferences”)
• Marçal book

November 7: A Deeper Dive into the Origins of Behavior
• Chapters 8-10 in Cartwright

November 14, 21, 28, December 5: Deeper Dive into Specific Business and Policy Applications (presentations over this period)
• Chapter 11 in Cartwright
• (Many) other books/articles TBD

December 12: Wrap-Up/Last Class (papers due)

December 14-22: Final Exam Period (take-home exam, choice of early or late shifts during exam week)
CLASS POLICIES
Attendance policy: Students should inform professor ahead of time of absence, if possible; attendance feeds into the participation grade

University Policy on Religious Holidays:
1. Students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance;
2. Faculty should extend to these students the courtesy of absence without penalty on such occasions, including permission to make up examinations;
3. Faculty who intend to observe a religious holiday should arrange at the beginning of the semester to reschedule missed classes or to make other provisions for their course-related activities

ACADEMIC INTEGRITY
I personally support the GW Code of Academic Integrity. It states: “Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, submitting the work of others in whole or part without crediting them and without appropriate authorization, and the fabrication of information.” Please note that allowing another student to copy your work is defined as cheating under the Academic Integrity code.

➔ Examples of academically dishonest behavior include, but are not limited to:
1) Cheating
2) Fabrication
3) Plagiarism
4) Falsification and forgery of University academic documents
5) Facilitating academic dishonesty

Sanctions range from failure of the assignment, to failure of the course, to suspension or expulsion from the University.

For the remainder of the code, see: http://www.gwu.edu/~nteegrity/code.html

SUPPORT FOR STUDENTS OUTSIDE THE CLASSROOM

DISABILITY SUPPORT SERVICES (DSS)
Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: http://gwired.gwu.edu/dss/

UNIVERSITY COUNSELING CENTER (UCC) 202-994-5300
The University Counseling Center (UCC) offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:
- crisis and emergency mental health consultations
- confidential assessment, counseling services (individual and small group), and referrals
http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices

SECURITY
In the case of an emergency, if at all possible, the class should shelter in place. If the building that the class is in is affected, follow the evacuation procedures for the building. After evacuation, seek shelter at a predetermined rendezvous location.