

ECONOMICS 142: Behavioral Economics

Summer II 2013

Lectures: M, Tu, W, Th 2:00 – 3:20pm

WLH 2111

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Office Hours: Tuesdays 5:15 – 6:15 pm and Wednesdays 10:00-11:00 am

Course webpage: <https://ted.ucsd.edu/>

The course is divided into two parts. The first half, on behavioral decision theory, studies models in which standard economic rationality assumptions are combined with psychologically plausible assumptions on behavior. We consider whether the new models improve ability to predict and understand choice under uncertainty (and certainty), probabilistic judgment, and intertemporal choice. The second half, on behavioral game theory, studies how players model others' decisions in initial responses to games; and how players learn to predict others' decisions via learning in repeated play of analogous games.

Prerequisites: ECON 109

Lectures and Problem Sessions:

You are responsible for all the material in the lectures and problem sets. Partial notes will be available on the class webpage before each lecture. I recommend that you print these out beforehand and fill in the missing information. I'll do my best to avoid typos but you're responsible for the correct material. I want you to understand the material instead of simply memorizing it. If you miss a lecture, borrow someone's notes. Problem Sessions are optional but recommended.

Problem Sets and Reviews:

Problem sets will be available online. Answers will be posted too. Your best practice for the exams is to try these questions yourself first. We will have a review before each exam.

Exams:

Your grade will be determined on the basis of a midterm exam (50%) and a final exam (50%). If you miss an exam for a documented, university approved reason (ie., illness, official university trip), the exam will be rescheduled. If you miss an exam for another reason (ie., oversleep) you will receive a zero for that exam. No one will be allowed to start an exam after the first person leaves it.

The midterm will be held in class on Thursday, August 22nd. The final exam will be held on Saturday, September 7th from 3:00pm – 5:00pm. (Note: This is two hours!) If you know in advance that you cannot make an exam, please let me know as soon as possible.

You are only permitted to use pens and pencils, a calculator, a straight edge and a single note card during the exams. The calculator can only be a simple, scientific calculator. More advanced calculators are not allowed. The note card can be any size up to 8.5" by 11" for either exam. It may **only** have handwritten notes on both sides. Typed or mechanically reproduced notes are not permitted. Do **not** attach anything to your note card in any way. If your note sheet does not adhere to any of these conditions it may be confiscated during the exam. Additionally a report may be filed with the Academic Integrity Office.

You **cannot** sit next to anyone you studied with during an exam.

Academic dishonesty:

I take academic dishonesty seriously. Any student found guilty of academic dishonesty will earn a failing grade for the course. In addition to this sanction, the Council of Deans of Student Affairs will also impose a disciplinary penalty. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

Regrade requests:

Regrade requests are only permitted if the entire exam is answered in pen. Regrade requests must be made through a written statement **before** the start of class one week after the exam was first passed back. This deadline is firm! Extensions will only be permitted if you have a documented, university approved reason for missing the entire week after the exam was first passed back. If you request a regrade I may regrade your entire exam and your score could go up, down or stay the same.

Optional/Recommended Text:

Cartwright (2011), *Behavioral Economics*, Routledge. The text is available on Kindle and may be available in other electronic formats.

Preliminary Course Outline:

1. Overview of Behavioral Decision Theory
 - Ch. 1 – 2.
2. Choice under Uncertainty (or Certainty)
 - Classical Expected Utility Model (from Econ 100A).
 - Ch. 2 – 3.
3. Probabilistic Judgment
 - Ch 3.
4. Intertemporal Choice
 - Ch 4.
5. Overview of Behavioral Game Theory
 - Ch 1.
6. Theory and Evidence on Initial Responses to Games
 - Ch 6.
7. Equilibrium Selection via Learning
 - Ch 8.

All of this is subject to change.