

Department of Economics  
Hacettepe University  
**ECO 344 Behavioral Economics**  
*Spring 2015-2016*

**Course Information**

<b>Instructor</b>	Dr. Shihomi Ara-Aksoy Office: Department of Economics Email: sara@hacettepe.edu.tr
<b>Time/Place</b>	<b>Fridays 9:00 – 11:45 @ <del>Osman Okyar</del> Aydinlanma Odasi</b>
<b>Office Hours:</b>	Wednesdays at 15:30 - 16:30, or by appointment
<b>Course Website:</b>	<b><a href="http://yunus.hacettepe.edu.tr/~sara">http://yunus.hacettepe.edu.tr/~sara</a>, <a href="http://www.shihomiaksoy.org">http://www.shihomiaksoy.org</a></b>

**Course Description** This course introduces the fundamentals of behavioral economics which integrates insights from psychology into economic models of judgment, decision making and behavior. The first part of the course focuses on heuristics, biases and anomalies. The second part is composed of a review of expected utility theory and preference and an introduction of prospect theory. In the last part of the course, some topics in consumer behavior will be discussed. Since various experiments will be conducted in the class throughout the course, students' attendance is given significant importance.

**Course Objectives** Upon successful completion of this course, students will be familiar with the basic theories and concepts in behavioral economics, understand the psychological influence on individuals' decision making, be able to explain the differences between the decisions with unbounded-rationality in conventional economic theories and with bounded-rationality in alternative decision models, and be able to and conduct design experiments/surveys to observe individual decision making under uncertainty and analyze the collected data.

**Course Requirements**

1.	Midterm Exam	20%
2.	Final Exam	30%
3.	Group Project <sup>1</sup>	20%
4.	2 Presentations <sup>2</sup>	5% each
5.	Attendance <sup>3</sup>	20%

<sup>1</sup> The course projects will be conducted by students' groups, each consisting of 2-3 students. Each group selects BE research topic of their interest, design and conduct an experiment/survey, analyze the collected data and report the results in academic journal format.

<sup>2</sup> There will be two class-room presentations, I on topic of your research and literature review, II is the final presentation of the project.

<sup>3</sup> You need to attend at least 10 lectures to pass this course. Attendance will be counted if you actively participate the classroom activities for entire class-hour.

**Make-up Exam**

**No makeup exam will be given** unless a legally acceptable document (such as medical report) is submitted. Validity of such document will be examined.

**Grading**

Final grade will be given entirely based on your scores under a fair and single grading policy. None of students' "special situations/needs" (e.g. scholarship, graduation, financial condition, family situation etc.) will affect the grade. No exception. If you need a certain grade, work hard.

### Academic Misconduct

Please read the relevant material at <http://www.plagiarism.org/>. Detected plagiarism throughout the coursework will cause the student to be punished according to the University rules. The students are expected to know what plagiarism is and lack of knowledge is not an acceptable excuse.

### Disabilities

Any student who feels s/he may need an accommodation based on the impact of a disability should contact me privately to discuss your specific need.

Week	Date	Topics	Important Dates
1	Feb. 9	Introduction to Behavioral Economics	
2	Feb. 16	Judgment, Rationality (1)	
3	Feb. 23	Rationality (2)	
4	Mar. 1	Heuristic Judgment (1) Availability, Anchoring and Adjustment	
5	Mar. 8	Heuristic Judgment (2) Representativeness	
6	Mar. 15	Anomalies (1)	
7	Mar. 22	Anomalies (2)	<i>Presentation I</i>
8	TBA	<b>Midterm Exam</b>	
9	Apr. 5	Data Analysis	
10	Apr. 12	Expected Utility Theory, Prospect Theory (1)	<i>Survey Submission</i>
11	Apr. 19	Prospect Theory (2)	
12	Apr. 26	Consumer Psychology and Behavior (1)	
13	May 3	Consumer Psychology and Behavior (2)	
14	May 10	<b>Conference</b>	<i>Presentation II</i>

## Reading Assignment

1. **[TFS] Kahneman, D. (2011). Thinking, Fast and Slow. New York: Farrar, Straus and Giroux**  
**[MUST READ]**
2. [TD] Baron, J. (2007). Thinking and Deciding. Forth edition. Cambridge University Press.
3. [RC] Hastie R. and Dawes R.M. (2009). Rational Choice in an Uncertain World (2nd edition).  
Thousand Oaks, CA Sage Publications, Inc.
4. [CVF] Kahneman, D. (2000). Choices, Values and Frames. First edition. Cambridge University Press.
- 5: [PI] Ariely, D. (2010). Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions, Harper Perennial.

### **Week 1 (2/9): Introduction to Behavioral Economics**

**Week 2 (2/16): Judgment, Rationality (1)** [TD]: Ch. 3 [TFS]: Chapters 1, 2, 3, 4, 5

**Week 3 (2/23): Rationality (2)** [RC]: Ch. 10 [CVF]: Ch. 42 [TFS]: Chapters 6, 7, 8, 9

**Week 4 (3/1): Heuristic Judgment (1) : Availability, Anchoring and Adjustment**  
[RC]: Ch. 4 [TFS]: Ch. 10, 11, 12, 13

**Week 5 (3/8): Heuristic Judgment (2) Representativeness** [RC]: Ch. 5 [TFS]: Ch. 14, 15

**Week 6 (3/15): Anomalies (1): Loss Aversion, Reference-Dependence, Endowment Effect, Status Quo Bias** [CVF]: Ch. 7, 8 [TD]: Ch. 12 [TFS]: Ch. 27, 28, 29, 30, 31, 32  
[PI]: Ch. 7

**Week 7 (3/22): Anomalies (2): Sunk Cost Effect, Framing, Preference Reversals**  
[CVF]: Ch. 12 [TFS]: Ch. 33, 34

**Week 9 (4/5): Data Analysis** [TBA]

**Week 10 -11 (4/12; 4/19): Expected Utility Theory, Prospect Theory**  
[TD]: Ch.11 [CVF]: Ch. 2 [TFS]: Ch. 25, 26

**Week 12-13 (4/26, 5/3): Consumer Behavior (1) and (2)** [CVF]: Ch. 15, 16 [PI] : Ch. 2, 3, 8, 10

\*Additional readings may be assigned as the course proceeds. Recommended/related journal articles will be uploaded to the course web page.