Behavioral Finance and Economics

Course Description

This course introduces you to the field of behavioral economics, also known as psychology and economics. Our goal is to learn how to think about economic decision-making in a psychologically richer way while maintaining the rigor of economic analysis. You will learn (i) what the basic psychological phenomena that are most important for economics are; (ii) how to identify these phenomena from simple decisions and capture them in economic terms; and (iii) how they should change our understanding of basic economic questions. Applications include portfolio choice, consumer purchases, savings, and procrastination.

Prerequisites: Econ 207A (or intermediate microeconomics), Econ 210F (or statistics)

Success in this four-credit course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, etc.)

Course Requirements

Problem Sets (30%) There will be 3 problem sets, due in class on the posted dates.

Case Studies (40%) There will be 2 team-based case studies. The teams are expected to apply the tools and methods of behavioral economics to analyze the assigned cases and prepare a joint report. All members of each team will receive the same grade for the group component based on the quality of their joint report.

Case Presentation (15%) You will record and submit your presentation.

Thoughts & Questions (15%) You are required to submit Thoughts & Questions (TQs) to 3 of the 6 topics we will study during this course. Each submitted TQ should be at least 100 words in total length.
Learning Objectives

- Understand when and how individuals behave in ways that are systematically different from the predictions of standard economic theory
- Learn the framework that behavioral economists have developed to explain observed behavior
- Identify deviations from standard economic theory in real world situations and apply the behavioral framework to explain them

Important Dates

Wednesday, February 12 – Problem Set 1 due in class
Wednesday, March 11 – Problem Set 2 due in class
Wednesday, March 4 – Case Study 1 due at 8pm on LATTE
Wednesday, April 22 – Problem Set 3 due at 11am on LATTE
Week of April 6 – Team meetings with me to discuss Case Study 2 (on Zoom)
Monday, April 27 – Case Study 2 presentations due at 8pm on LATTE
Thursday, April 30 – Case Study 2 due at 8pm on LATTE

Resources

All course materials, including the syllabus, assignments, and solutions, will be posted on LATTE: https://moodle2.brandeis.edu/.

English Language Programs (ELP) offers a number of tutorials and workshops in both written and oral skills: http://www.brandeis.edu/elp/. These programs require a weekly commitment.

In addition, the Writing Center offers drop-in help with writing and grammar: http://www.brandeis.edu/writingprogram/writingcenter/index.html

Course Policies

Correspondence

I will generally respond to email within 24 hours. Please keep this in mind, particularly before assignment due dates. For involved questions that require more than a couple of email exchanges, I encourage you to drop by office hours.

Lateness and Absences

You are expected to attend class on time. Coming in late is disrespectful to your classmates and me, and is disruptive to the learning environment.

You may turn in one problem set assignment up to one day late without penalty by email as a single PDF file. Otherwise, late problem sets will be penalized by 20 points for one day late, and
an additional 30 points for two days late. **Without exception, problem sets will not be accepted more than two days late.**

Case studies will not be accepted late for any reason.

**Accommodations**

Brandeis seeks to welcome and include all students. If you are a student who needs accommodations as outlined in an accommodations letter, please talk with me and present your letter of accommodation as soon as you can. I want to support you. In order to provide test accommodations, I need the letter more than 48 hours in advance. I want to provide your accommodations, but cannot do so retroactively. If you have questions about documenting a disability or requesting accommodations, please contact Student Accessibility Support (SAS) at 781.736.3470 or access@brandeis.edu.

**Academic Dishonesty**

Simple and obvious: Do not plagiarize or cheat. You are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at LTS - Library guides.

**Schedule and Reading List**

Unfortunately, there is no single good textbook in behavioral economics. The required readings will be drawn primarily from two popular economics books.


This schedule and reading list may change as the semester progresses; any changes will be mentioned in class and posted on the course website. You are expected to complete the assigned readings before their corresponding dates. Bulleted readings are required; non-bulleted readings are optional.

**Week of January 13 – Introduction, Intertemporal Choice**

- Thaler Ch. 1
- Thaler Ch. 11, 12
Week of January 20 – Intertemporal Choice

NO CLASS on Monday, January 20


Week of January 27 – Intertemporal Choice

- Thaler Ch. 31, 32

Week of February 3 – Reference Dependent Preferences

NO CLASS on Monday, February 3

- Belsky Gilovich Ch. 2
- Thaler Ch. 4

Week of February 10 – Reference Dependent Preferences


Week of February 17 – NO CLASS (Midterm Recess)

Week of March 2 – Bayes Rule and Bounded Rationality

- Belsky Gilovich Ch. 4

Week of March 9 – Behavioral Game Theory

- Thaler Ch. 21


Week of March 16 – Transition to Online Learning, Behavioral Game Theory

- Hsiaw, Alice. “Econ 209A – Transition to Online Learning.”


Week of March 23 – NO CLASS

Week of March 30 – Social Preferences

- Thaler Ch. 14, 15


Week of April 6 – Social Preferences

  NO CLASS on Wednesday, April 8 (Passover)


Week of April 13 – Behavioral Finance

  NO CLASS on Wednesday, April 15
• Thaler Ch. 25, 26


Week of April 20 – Behavioral Finance

• Thaler Ch. 22, 23


Week of April 27 – Case Study 2 Presentations due at 8pm on LATTE on Monday, April 27