CONTACT INFORMATION

Instructor: Prof. Serra
Office: ULee 301C
Office Hours: Tuesday 3:30 – 5:00 p.m. or by appointment.
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COURSE DESCRIPTION
The hypothesis of rational behavior underlies virtually all of traditional economics. However, in many
decision making environments, individuals (and groups) often deviate from rational behavior in
identifiable and predictable ways. The primary goal of behavioral economics is to incorporate these
systematic biases into more accurate models of economic decision making. Throughout the semester
students will examine a variety of topics wherein behavioral economics enriches standard economic
models of rational choice. The course will also be an introduction to the methodology of experimental
economics and its use to testing the assumptions underlying a variety of economic models. Students will
learn how experimental methods can be applied to the study of many specific topics, including other-
regarding behavior, public goods, labor economics and decision making under uncertainty. The course
will be based on lectures, class discussions, student presentations and in-class quizzes and experiments,
with two midterm and a final exam as complementary learning opportunities.

PREREQUISITES
ECO 3301: A good understanding of intermediate microeconomic theory is expected and will be assumed
throughout the semester. Prior knowledge of Game Theory (ECO 5431) and Econometrics (ECO 5350)
recommended.

REQUIRED TEXTBOOKS
There is no required textbook for this class. The course will be based mainly on research articles. We will
be doing LOTS OF READINGS, i.e., expect to read about 2 articles (between 15 and 30 page long each)
per week. All materials will be posted on Blackboard in advance. Class discussion, quizzes and student
presentations will be based on the readings, so you must complete assigned readings prior to class.

During the semester students will participate in economic experiments using an online platform called
Moblab. This platform can be accessed also from mobile devices and tablets through the corresponding
app. All students are required to create an online account by going on www.moblab.com and clicking on
Student Signup. Students should use their SMU email address to sign up. Creating an account will cost
$18. Having a Moblab account is necessary to be able to participate in the experiments and earn extra
credit.

Recommended and interesting (but not required) books:

MODULES
The course will be divided into modules. Each week, students will have assigned readings for each module (usually 2 papers). The Tuesday and Thursday classes will follow different formats.

Each Tuesday class will start with a 15-minute quiz testing that the students read the assigned articles and studied the material covered in class the previous Thursday. The Tuesday class will then comprise a student-led discussion/presentation for roughly 30 minutes, followed by open discussion and final remarks on the topic, led by me.

Each Thursday class will have a lecture component and will comprise one or more economic experiments that will give students the opportunity to earn extra credit.

COURSE WEB PAGE
The course webpage will be accessed through Blackboard. Please check it regularly. Grades, announcements, homework assignments, assigned readings and other course-related materials will be posted there.

GRADES FOR UNDERGRADUATES
Grades for undergraduate students will be computed as follows:

<table>
<thead>
<tr>
<th>Grade Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading class discussion (group)</td>
<td>20%</td>
</tr>
<tr>
<td>Participation</td>
<td>10%</td>
</tr>
<tr>
<td>In-class Quizzes (10 out of 12)</td>
<td>20%</td>
</tr>
<tr>
<td>Midterm Exam 1</td>
<td>25%</td>
</tr>
<tr>
<td>Midterm Exam 2</td>
<td>25%</td>
</tr>
<tr>
<td>(Optional) Final Comprehensive Exam*</td>
<td>50%</td>
</tr>
<tr>
<td>Extra credit from in-class experiments</td>
<td></td>
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</tbody>
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**The Final Exam is optional and will give students the opportunity to replace the grades obtained in the two midterms with the grade obtained in the final.

GRADES FOR MASTER STUDENTS
Grades for Master students will be computed as follows:

<table>
<thead>
<tr>
<th>Grade Component</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Leading class discussion (group)</td>
<td>15%</td>
</tr>
<tr>
<td>In-class Quizzes (10 out of 12)</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exam 1</td>
<td>25%</td>
</tr>
<tr>
<td>Midterm Exam 2</td>
<td>25%</td>
</tr>
<tr>
<td>Final Comprehensive Exam</td>
<td>25%</td>
</tr>
<tr>
<td>Extra credit from in-class experiments</td>
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</tbody>
</table>
LEADING CLASS DISCUSSION (groups of 3 or 4)
This course is heavily based on in-class discussion. You will be sorted into groups of 3 or 4 students, and each Tuesday a group will prepare a 30-minute Power Point presentation based on the week class readings plus 2 or 3 additional articles on the same topic. The group will have to present, answer questions and lead the class discussion. The group performance will be graded based on the understanding of the reading(s), the ability to get the class actively involved in discussion, and the ability to answer classmates’ and instructor’s questions. Each group will send me a list of discussion questions by 9 a.m. the day of the scheduled presentation.

IN-CLASS QUIZZES
Each day in which a presentation is scheduled, we will start with a quiz, meant to check that students fully read and understood the assigned readings. Each quiz will have 3 short-answer questions. Throughout the semester, there will be a total of 12 quizzes, each worth 2 points for undergraduates, and 1.5 points for master students. I will drop the two lowest score quizzes.

Just by showing up and signing their name on the quiz undergraduate students will earn 0.5 out of the 2 points.

There will be no make-up quizzes so any missed quizzes will automatically be counted as one of your dropped quizzes. Students will receive zero for any quizzes they miss beyond two. If a student comes to class while the quiz is in progress, he or she will simply have less time to work on the quiz. If a student comes to class after the quiz is completed, then he or she will have simply missed the quiz. Note that coming to class only to take the quiz and leaving immediately after is unacceptable and will earn students no credit.

IN-CLASS EXPERIMENTS (extra credit)
In almost every Thursday class, we will conduct in-class exercises and experiments to get a first-hand understanding of a topic, and students’ participation will be recorded. Students will be able to earn extra-credit points based on their decisions and the decisions of their classmates in the experiments. Most of the experiments will be conducted using the online platform Moblab. Students are required to create a Moblab account on www.moblab.com.

PARTICIPATION
The grade that undergraduate students will obtain for “participation” (i.e. 10% of final grade) will depend on active involvement in class discussions (remember, this class relies heavily on discussion). Attendance and involvement in the discussions will be closely observed.

EXAMS
There will be two midterm exams and a final.
- The first Midterm is scheduled for Thursday, October 8th.
- The second Midterm is scheduled for Thursday, December 3rd.
- The final exam (optional for undergraduates and compulsory for graduate students) will take place on Saturday December 12th.
The exams will cover potentially all materials from lectures, assigned readings and class discussions. Make-up exam will be scheduled only in extraordinary circumstances (i.e., serious illness and tragedies). Appropriate documentation will be required. If you are not able to take an exam you will have to inform me BEFORE the day of the exam.

- For **Undergraduates**: Each midterm is worth 25% of your grade (i.e. 25 points). I will **NOT drop** any of the two midterm exams. If you are unsatisfied with the grade you obtained in one or more midterm exams you will have the chance to take the comprehensive final exam. Note that this exam is optional; if you decide to take it and you obtain a score that is higher than the combined score from the two midterms, the score in the final will annul the grades in the midterms and therefore will count as 50% of your final grade (i.e. 50 points). If instead you decide to take the final but you obtain a score that is lower than the combined score from the midterms, the scores in the midterms will annul the score in the final.

- For **Master students**: Each midterm is worth 25% of your grade (i.e. 25 points) and the final is also worth 25% of your grade. You will be required to take all the exams as I will **NOT drop** any of the them.

**EXCUSED ABSENCES FOR UNIVERSITY EXTRACURRICULAR ACTIVITIES**

Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)

**RELIGIOUS OBSERVANCE**

Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

**HONOR CODE**

All work undertaken and submitted in this course is governed by the University’s honor code. If any student is unclear about the University’s honor policy – either in general or its particular application in this course – please contact your instructor immediately.

**DISABILITY ACCOMMODATIONS**

Students needing academic accommodations for a disability must first contact Disability Accommodations & Success Strategies (DASS) at 214-768-1470 or www.smu.edu/alec/dass.asp to verify the disability and to establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4; an attachment describes the DASS procedures and relocated office.)

**SYLLABUS CHANGE POLICY**

Except for changes that substantially affect the implementation of the evaluation (grading) statement, this syllabus is a guide for the course and is subject to change with advance notice. **The dates of the exams are subject to change** based on the material covered and unexpected circumstances that require changing the schedule.
COURSE OUTLINE

This is a general list of topics we will cover, listed in approximate order. As the semester progresses, we may skip some and/or add others as I see fit. Mostly, I will aim to provide you with the basic foundations in the field while aiming to keep everyone interested.

1) Introduction to Behavioral Economics
2) Introduction to Experimental Economics: Methodology, Internal and External Validity
3) The “rational” versus the “irrational” economic agent
   a. Framing
   b. Preference Reversal
   c. Reference Points
   d. Anchoring
   e. Loss Aversion
   f. Endowment Effects
4) Risk Preferences, Expected Utility Theory and Prospect Theory
5) Time Preferences, Intertemporal Choice and Time Inconsistency
6) Other Regarding Preferences: Altruism, Bargaining and Trust
7) Public Goods
8) Formal and Informal Punishment
9) Intrinsic Motivations, Extrinsic Incentives and Crowding-Out
10) Social Image, Shame and Guilt
11) Anti-social Behavior, Cheating and Corruption
12) Applications to Labor Economics
13) Social Norms and Culture
READING LIST

- SUBJECT TO CHANGE –

Please note that the reading list might change during the course of the semester. Each week, the required readings will be posted on Blackboard.

The readings with the asterisk are required for the entire class. Those without the asterisks are required only for the group presenting in the corresponding week.

1) Introduction to Behavioral Economics
     Optional:

2) Introduction to Experimental Economics: methodology, advantages and limitations (weeks 1 and 2)
     Optional:
     ○ Ariely – Ch 1 (The Truth about Relativity)

3) Game Theory
   We will review basic Game Theory concepts.

4) The rational versus the “irrational” economic agent (week 2 and week 3)
   a) Framing
   b) Preference Reversal
   c) Reference Points
   d) Anchoring
   e) Loss Aversion
   f) Endowment Effects
      - *Kahneman – Ch 33 (Reversals)
      - Kahneman – Ch 34 (Frames and Reality)
Optional:


5) **Risk preferences, expected utility and prospect theory (week 4)**
   - *Kahneman – Ch. 26 (Prospect Theory)*

Optional:


6) **Time preferences, intertemporal choice and time inconsistency (week 5)**

Optional:

- Ariely – Ch 7 (The Problem of Procrastination and Self Control)
7) Other regarding preferences: Altruism, Bargaining and Trust (week 6)

Optional:

8) Public goods (week 7)

Optional:

9) Formal and Informal Punishment (week 8)

Optional:

10) Intrinsic Motivations and Extrinsic Incentives (week 9)

Optional:
- Ariely – PI Ch 4 (The Cost of Social Norms)

11) Social image, shame and guilt (week 10)

Optional:

12) Cheating, corruption and anti-social behavior (week 11)


Optional:
- Ariely, Chapter 11

### 13) Applications to Labor Economics (week 12)


Optional:

### 14) Social Norms and Culture (week 13)


Optional
- Ariely – PI Ch 4 (The Cost of Social Norms)