

# Rutgers University - New Brunswick

01:220:480 BEHAVIORAL AND EXPERIMENTAL ECONOMICS  
FALL 2017

**Instructor:** Tomas Sjöström <tsjostrom@economics.rutgers.edu>

**Time and Location:** Mo, Th 11:30 - 12:50 in Murray 211

**Office Hours:** Tu, Th, 1:30 - 2:30 or by appointment, New Jersey Hall 301C.

**T.A.:** Hyungil (Henry) Kye <hkye@economics.rutgers.edu>. **T.A. Office hours:** TBA  
NJ Hall 423

**Textbooks:** 1. "A Course in Behavioral Economics", by Erik Angner. Palgrave Macmillan. 2 edition (January 18, 2016). ISBN-10: 113751292X, ISBN-13: 978-1137512925 2: "Thinking and Deciding" by Jonathan Baron. Cambridge University Press; 4 edition (December 20, 2007). ISBN-10: 0521680433, ISBN-13: 978-0521680431.

**Prerequisites:** 220:320 and 220:322 and 640:136 (or 152 or 192)

**Grading:** There will be 7 homework assignments, three midterm exams and a final exam. They will count toward the grade as follows.

Assignments	30%
Midterms	40%
Final	30%

The final is comprehensive: it covers all the material listed on the course outline below. No books, no notes, no logging into the Sakai site during exams. However, please bring a calculator to the exams. It is OK to miss an exam for a legitimate reason (for example illness, family emergency) *but you must notify us no later than the day of the exam*. If you miss a midterm *for legitimate reasons* the weight will be increased on the other midterms and the final (but if there is no legitimate reason, you will simply be assigned 0 points). There will be *no* make-up midterms. And there are no opportunities to earn "extra credit" by doing additional assignments. For each homework, after the due date has passed the solutions will be posted on the Sakai site. At that time, if you did not hand in the homework assignment, you will be assigned 0 points for this assignment, unless you have notified me *before* the solutions were posted and have a legitimate excuse. If you hand in homework after the due date but before the solutions are posted, you get partial credit. If you cannot hand in a homework for a legitimate reason such as illness, the weight will be transferred to the other homework. I will distribute graded homework in class, but not graded midterms - you have to pick up your midterm from the TA's office. If you are not happy with the grading, you must return the bluebook to the TA immediately, he will give it to me for review. After you remove the bluebook from his office, we will not review it, with the exception of clerical errors (adding up points incorrectly). In general, if you have questions about how the homework or midterm was graded, please ask the TA first - if you are not happy with the answer, please talk to me. A Sakai site will be made available, containing documents for the class <https://sakai.rutgers.edu/portal>. Important announcements will be posted there occasionally - I will assume everybody reads the announcements. (The Sakai site also has

exams from Econ 404, Fall 2014.) Students are expected to attend all classes; if you miss class, please use the University absence reporting website <https://sims.rutgers.edu/ssra> to indicate the date and reason for your absence. *Each student is responsible for knowing everything written on this syllabus (including this sentence).*

**Note:** The class room is *not* a good place to take a nap, read newspapers, or solve a crossword puzzle. *Turn off cell phones when the lecture starts.* This is just common courtesy.

**Important dates:** Last day to drop classes without a “W” grade, Tu Sept 12; Last day to add classes, We Sept 13; Last day to drop with a “W” grade, Mo Oct 30.

**Learning Outcomes:** Students who complete Econ 480 will understand the difference between normative and descriptive (positive) theories of economic behavior. They will understand the classical normative theory of decision making under certainty, under uncertainty, and intertemporally (utility theory, expected utility theory, discounted utility). They will understand how real-world decision making often deviates from the normative ideal, and how economists have tried to incorporate these insights into formal models of decision making under certainty, under uncertainty, and intertemporally (e.g., hyperbolic discounting and prospect theory). They will understand “anomalies” such as status quo bias, endowment effects, distorted probability judgements etc., as well as anomalies in strategic situations such as the ultimatum game.

**Academic Integrity Policy:** The usual rules about integrity and conduct apply to our class. Violations include: cheating, fabrication, plagiarism, denying others access to information or material, and facilitating violations of academic integrity. You are strongly advised to familiarize yourself with the following website:

<http://academicintegrity.rutgers.edu/academic-integrity-policy/>

**Student-Wellness Services:** Just In Case Web App for a mental health crisis: <http://codu.co/cee05e>. Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues: (848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 [www.rhscaps.rutgers.edu/](http://www.rhscaps.rutgers.edu/). Violence Prevention & Victim Assistance (VPVA) (848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 [www.vpva.rutgers.edu/](http://www.vpva.rutgers.edu/). Disability Services (848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>. Scarlet Listeners, for confidential peer counseling and referral hotline: <http://www.scarletlisteners.com/> or call (732) 247-5555.

## Course Outline

### Part I: Choice under Certainty

- Sep 7 Introduction (A 1, A 2)
- Sep 11 Normative Utility Theory (A 2)
- Sep 14 Descriptive Theory I (A 3)
- Sep 18 Descriptive Theory II (A 3)
- Sep 21 Descriptive Theory III (A 3) *Hand in homework 1*

## Part II: Judgment under Risk and Uncertainty

- Sep 25 Normative Probability Theory I (A 4; B 5 *except* p. 113-120)
- Sep 28 Normative Probability Theory II (A 4; B 5 *except* p. 113-120)
- Oct 2 Descriptive Theory I (A 5; B 6: p. 146-160) *Hand in homework 2*
- Oct 5 Descriptive Theory II (A 5; B 6: p. 146-160)
- Oct 9 TBA
- Oct 12 *Midterm 1* (A 2-4; B 5 *except* p. 113-120)
- Oct 16 Descriptive Theory III (A 5; B 6: p. 146-160)

## Part III: Choice under Risk and Uncertainty

- Oct 19 Expected Utility Theory I (A 6; B 10)
- Oct 23 Expected Utility Theory II (A 6; B 10) *Hand in homework 3*
- Oct 26 Descriptive Theory I (A 7; B 11: p. 257-271)
- Oct 30 Descriptive Theory II (A 7; B 11: p. 257-271) *Hand in homework 4*
- Nov 2 Descriptive Theory III (A 7; B 11: p. 257-271)

## Part IV: Intertemporal Choice

- Nov 6 Discounted Utility Theory (A 8)
- Nov 9 Descriptive Theory I (A 9; B 19) *Hand in homework 5*
- Nov 13 *Midterm 2* (A 5-7; B 6: p. 146-160, B 10, B 11: p 257-271)
- Nov 16 Descriptive Theory II (A 9; B 19)
- Nov 20 Descriptive Theory III (A 9; B 19)

## Part V: Strategic Interaction

- Nov 21 (Tu) Normative Game Theory (A 10.1, A 10.2)
- Nov 23 *Thanksgiving*
- Nov 27 Behavioral Game Theory I (A 11) *Hand in homework 6*
- Nov 30 Behavioral Game Theory II (A 11)
- Dec 4 TBA
- Dec 7 *Midterm 3* (A 8-9, A 10.1, A 10.2; B 19)
- Dec 11 Behavioral Game Theory III (A 11) *Hand in homework 7*

Dec 21 **Final Exam** 12 pm in our regular classroom  
(<http://finalexams.rutgers.edu/>)