

## 【Course Description】

This course will analyze how economic and psychological factors affect the economic decisions of individuals, focusing on their bounded rationality. For example, why we surrender to the allure of the dessert cart right after we vow to diet? Each class is composed of two parts. For the first half, I will explain basic concepts and principles of Behavioral Economics. For the second half of the class, I will introduce one or two research articles which are well known in the related field, and we will discuss controversial research questions.

## 【Class Goals】

- A. To analyze individual behavioral decision applying the concepts of behavioral economics
- B. To understand structures, analytical methods, and arguments of a well-cited research paper
- C. To discuss how an individual's behavior changes using both theoretical and empirical evidence

## 【Course Schedule】

I . Standard Economic Model v. Behavioral Economics

【Week1】Introduction to the Course

【Week2】Standard Economic Model & Bounded Rationality

【Week3】Selfish Reasoning & Fairness: Lessons from Dictator Game

(People care about outcomes, relative to others: 'Why should I get less than him')

II . Examples of Bounded Rationality

【Week4】Revealed Preference and Utility & Anchoring Effect

(More options are good? No, you will be easily distracted)

【Week5】Fundamental Theorem of Consumption Theory & Fallacy of Supply and Demand

(You have no clue for what a given object is worth to you)

【Week6】Consumers' Willingness to Pay & Decoy Effect

(Starbucks' Strategy to charge a lot more for coffee)

III . Prospect Theory and Inconsistent Time Preferences

【Week7】Probability in Statistics & Choices Involving Risk

(Which basketball player has a higher probability of making a successful shot?)

【Week8】Allais's Paradox Prospect Theory & Loss Aversion

(People are more motivated by avoiding a loss than acquiring a similar gain)

【Week9】Time Discount Rate & Procrastinators and Self-Control

(We vow to diet, but we surrender to the allure of the dessert cart)

【Week10】Hyperbolic Discounting

(We promise to save for retirement, but we spend the money on a vacation)

IV . Integration of Other Academic Studies

【Week11】Social Norms v. Market Norms

(We are happy to do things for others, but not when we are paid to do so)

【Week12】Happiness, Relative Income Inequality

(Country which Cares about Inequality and Which Does Not)

【Week13】The recognition of the income gap and in their attitudes:

(Luck and Effort, which is more important to succeed in the labor market?)

【Week14】Culture and Economy

(Belief in heaven and hell affects the economic growth?)

【Week15】Review and Evaluation

## 【Preparation for Class】

Students need to complete the assigned readings and prepare questions / topics for the in-class discussion sections.

## 【Review of Class】

There will be a weekly quiz. The question sets will be provided in advance. Please review the lecture slides and the given articles to prepare for quizzes and final report.

## 【Remarks for Class】

This course is in upper division of Economics Program.

Prerequisites: KC-2102 (Introduction to Economics A) or Consent of Instructor.

## 【Texts】

Lecture notes and reading materials will be distributed in class.

## 【Reference Books】

To be uploaded to the course Web

## 【Evaluation Criteria】

Participation in class discussions (20%)

Quizzes(40%)

Final Report (40%)

## 【Notes】

Daily class schedule and class activities can be adjusted depending on students' performance.