March 23, 2021

Course Syllabus

Instructor:	Chong Juin Kuan Office: BIZ1-08-31, Tel: 6516-6154 Email: bizcjk@nus.edu.sg
Office Hours:	By appointment
Class Details:	Thursday 6:30 p.m. – 9:30 p.m. LT17
Required Text:	Erik Angner, A Course in Behavioral Economics, 3rd Edition, Red Globe Press, (2020) E-book: https://linc.nus.edu.sg/search~S16?/tA+Course+in+Behavioral+Economics/tcourse+in+behavioral+economics/1%2C1%2C3%2CB/frameset&FF=tcourse+in+behavioral+economics&2%2C%2C3
References:	Daniel Kahneman, Thinking Fast and Slow, Farrar, Strauss, Giroux (2013) Richard H. Thaler and Cass R. Sunstein, Nudge: Improving Decisions about Health, Wealth, and Happiness Penguin Books (2009)
Advanced References:	Colin Camerer, George Loewenstein, and Matthew Rabin (Editors), Advances in Behavioral Economics, Princeton University Press (2003) Daniel Kahneman and Amos Tversky (Editors) Choices, Values, and Frames, Cambridge University Press (2000)

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Overview and Objectives

Behavioral Economics combines economic and psychological principles to explain observed economic behaviors that violate the rationality assumption and deviate from standard economic prediction. There are two general streams of works in Behavioral Economics: Behavioral Decision Theory (BDT) and Behavioral Game Theory (BGT). BDT identifies and explains inconsistent choice behaviors in <u>individual decision making</u>. BGT identifies and explain boundedly rational actions in <u>strategic decision making</u>. This course focusses on the BDT stream.

The goal of the course is to equip students with the theory and framework to understand the inconsistent choices and boundedly rational actions observed in experiments, and to identify similar inconsistency and bounded rationality in choices and actions in business. Finally, in applying behavioral economics to nudge behavioral change, students will have their first exposure to be the choice architect of a real-life situation.

Learning Outcomes

Students are expected to achieve the following learning outcomes:

1.   Identify **when** and **how** choices deviate from economic prediction,

2.   Explain **why** such deviations occur,

3.   Appreciate the implications of such deviation in a business setting,

4.   Utilize the understanding to design plans to induce behavioral change.

Prerequisite

There are two prerequisites to this module:

(a) BSP1703 Managerial Economics or BSP1707 Managerial Economics: Exposure, and
(b) BSP2701 Global Economy

Course Materials and Approach

In addition to a textbook, we will use a variety of reading materials and field cases. In addition, lecture notes and handouts will be made available throughout the semester. The readings are designed to introduce concepts, principles and frameworks. Cases will allow us to examine, in detail, the application of these concepts, principles and frameworks.

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Preparation for Class

A class schedule will be provided. The class schedule contains the topics that I will cover in this course. For each week, it lists the topic for the week and the pre-class readings. Some suggestions for a good preparation before class:

1. Read the chapter(s) assigned at the minimum. For the highly motivated, proceed to handouts given out in previous classes.

2. Note down the difficulty you encounter, doubts and questions that you have during the reading. Think carefully about how you want to ask the questions.

3. Go through the topics and materials that we cover in previous classes. Can you make a connection?

Assessment

This course has no final examination; it is 100% continous assessment. Your final grade in the course will be based on all individual work. The evaluation is as follows:

A. Class Participation (individual)	10%
B. Assignments (individual)	15%
C. Project Report (group)	20%
D. Project Presentation (group)	15%
E. Quizzes (individual)	40%

Please note that <u>late reports and assignments will be penalized at a rate of 20% per day.</u> All written work is due at the <u>beginning</u> of class on the due date. The due dates for the assignments are listed on the course schedule and a more detailed outline of the evaluation procedure and requirements for items A through D is included below. Please read the assessment details carefully.

Assessment Details

A. Class Participation (10%)

Class participation adds to your own learning experience and benefits the class. Your participation allows me to gauge how much you have learned and helps me to determine what grade you deserve. I expect each of you to participate. How can you participate? There are four ways:

1. **By asking questions**. Asking questions help you to sharpen your understanding of an issue, a concept, a framework or a model. You should strive to ask good questions. The best way to field a good question is to prepare for class by going through at least the basic assigned reading. These are usually the chapters of the textbook.

2. **By giving comments**. The comments you made will show the level of understanding you have of the concepts and issues discussed in class. It also shows how well you have listened to and understood the comments, solutions and experiences others have presented and shared.

3. **By providing solutions**. Providing solutions in class allow others to follow through your analysis in details. It allows you to verify your analysis and allows the class to learn from you.

4. **By sharing experiences**. Sharing your experiences gives the class a new perspective to an issue. It gives the class the opportunity to contrast and compare with other experiences they may have.

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, I will evaluate you on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates.

B. Individual Assignments (15%)

There will be an individual assignment after each topic for the first three topics. The assignments are meant to test your understanding of the basic concepts.

C. Project Report (20%)

You will be randomly assigned into teams of three to four (depending on class size) to apply your knowledge of behavioral economics to nudge a behavior in the field. The paper (or "case") your team is responsible for will be made known to your team 3 weeks before the report is due. The case will document problems and issues arising from a behavior(s) that is not fully rational from standard economics perspective.

In preparing your write-up, you may consider the following format:

1. Problems and Issues. Highlight the major problem(s) and issue(s).

2. Analysis. Provide in-depth analyses of the issues and problems.

3. Solution and Justification. State the manner in which each of the problem(s) and issue(s) you have highlighted should be resolved through nudging certain choice(s)/decision(s). Justify your solution(s) carefully.

4. Exhibits (if any).

Some general guidelines for preparing a well-written report are:

1. Provide a coherent, well-organized analysis, not simply a set of notes pieced together. Redraft and proofread the report.

2. Be concise. Keep the Problem and Issue section short, and provide a strong, logical flow in the Analysis section. Above all, do not spend too much space in rehashing or paraphrasing the details of the case.

3. Make your assumptions explicit whenever necessary.

4. The solution should be practical and appropriate to the timing (short-term or long-term) of the choice(s)/decision(s) at hand. The supporting analysis should be thorough and to the point.

5. Tie your exhibits (if any) to the text of the report. Any exhibit not referred to in the report will not be evaluated.

For the report, there is a strict upper limit of **three** single-spaced pages of text (assuming 12-point font size and one-inch margin) and **one** page of exhibits. If you submit a lengthier report, it will likely be counted against your team. Keep in mind that exhibits should be tied to the report write-up in a meaningful way.

D. Presentations (15%)

You will have 10 minutes to present your solution and 5 minutes to answer questions from the floor.

Your team will email to me (at bizcjk@nus.edu.sg) a soft copy of the presentation slides an hour before class on the day of presentation. This will allow me to upload all presentations prior to class so that we do not eat into the class time. Also, your team will submit a hard copy of the slides to me in class prior to your presentation. For the presentation slides, there is a strict upper limit of 5 slides, not counting the title slide. Everyone in the team should present. You will be graded on the clarity of your presentation and Q&A (10%), as well as the flow of your presentation (5%).

E. Quizzes (40%)

There will be 4 quizzes throughout the course, each carrying a weight of 10%. The quizzes will be on the topics of "Choice under Certainty", "Judgment under Risk and Uncertainty",

"Choice under Uncertainty" and "Intertemporal Choice". The quiz format may take the form of multiple choices and/or short answers.

ACADEMIC HONESTY & PLAGIARISM

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. In case of any doubts, you should consult your instructor.

Additional guidance is available at:
http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct

Online Module on Plagiarism:
http://emodule.nus.edu.sg/ac/

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Summary of TENTATIVE Class Schedule
Semester I, AY2021/2022

Session	Week	Topic	Reading & Assignment
1	09-Aug	Introduction to Behavioral Economics	EA Chapter 1
2	16-Aug	Choice and Decision Architecture	Thaler's Choice Architecture paper
3	23-Aug	Choice under Certainty – Utility Framework	EA Chapter 2 DellaVigna (2009)
4	30-Aug	Choice under Certainty – Reference Dependence	EA Chapter 3 Quiz 1
5	06-Sep	Judgment under Risk and Uncertainty – Probability Updating	EA Chapter 4 Due: Assignment 1
6	13-Sep	Judgment under Risk and Uncertainty – Heuristics and Biases	EA Chapter 5 Quiz 2
7	27-Sep	Choice under Uncertainty – Expected Utility	EA Chapter 6 Due: Assignment 2
8	04-Oct	Choice under Uncertainty – Loss Aversion and Framing	EA Chapter 7 Quiz 3
9	11-Oct	Intertemporal Choice – Time Preference, Present Bias	EA Chapters 8 and 9 Due: Assignment 3
10	18-Oct	Designing Nudges: Case Discussion	Lew and Leong (2009) Thaler, Sunstein and Blaz (2010) Quiz 4
11	25-Oct	Designing Nudges: Problem Discussion	Selected cases for nudging
12	01-Nov	Designing Nudges: Solution Presentation	Due: Project Presentation
13	08-Nov	Taking Stock Behavioral Economics: Development, Direction and Ethics	Due: Project Report

Student should read ahead of schedule by at least 1 week to maximize learning.