ECO 3106 Behavioral Economics

Florida International University

Spring 2025

Instructor: Dr. Ece Teoman
Class Schedule: Tue-Thu 9:30AM - 10:45AM, CASE 134
Contact: Canvas message or email at eteoman@fiu.edu
Office Hours: Tue-Thu 12:15PM - 1:45PM, DM 307B
Turnaround Time: 2 business days

Course Description

This course explores the key concepts of behavioral economics, focusing on how psychological factors impact economic decision-making. We will study the fundamentals of behavioral economics, time preferences, and risk behavior through selected book chapters and complementary academic journal articles. The course will begin by challenging the traditional economic assumption of rational actors, introducing key concepts such as cognitive biases, heuristics, and prospect theory. We will explore how these behavioral insights impact markets, affect consumer choices, and can lead to systematic deviations from expected outcomes. By the end of the course, students will have a deeper understanding of how to integrate behavioral principles into economic analysis and decision-making processes.

Course Objectives

- **Understand** the foundational theories and concepts in behavioral economics.

- **Analyze** how insights from behavioral science affect economic decisions.

- **Evaluate** time-related decision-making processes and present bias.

- **Examine** risk preferences, probability judgment, and their implications for insurance.

- **Explore** various applications of behavioral economics to experimental economics, social interactions, and public policy.

Required Material

- O'Sullivan, Arthur. *Behavioral Economics*. Oxford University Press, 2022 (ISBN: 9780197515921)

Additional Materials

- **Academic Journal Articles**: Selected articles corresponding to topics covered in class.

- **Other materials**: Supplementary content to enhance understanding, assigned as needed throughout the course.

Course Organization and Schedule

The course is organized into 4 modules:

- Module 1 - Fundamentals of Behavioral Economics

- Module 2 - Time Preferences and Applications

- Module 3 - Risk Behavior and Applications

- Module 4 - Selected Topics in Behavioral Economics

Each module has required readings (book chapters and papers) and optional readings (papers), as well as other supplementary materials assigned. Please check the syllabus regularly for updates.

You will have 6-8 homework assignments in total, so you should expect a homework every other week (**30% of total grade**).

There will be 2 exams and 2 quizzes:

- Exam 1 will cover Module 1-2 and Exam 2 will cover Module 3-4 (**25% each, 50% of total grade**).

- Similarly, Quiz 1 will cover Module 1-2 and Quiz 2 will cover Module 3-4 (**5% each, 10% of total grade**). Quizzes are designed to help you prepare for the exams and subsequently, they will have similar questions.

In addition, we will have in-class activities and there might be reflection/discussion type of assignments depending on student interest (**10% of total grade**).

Disclaimer: The syllabus is a statement of intent and serves as an implicit agreement between the instructor and the student. Every effort will be made to avoid changing the course schedule and syllabus, but the possibility exists that unforeseen circumstances will make it necessary to make changes. Please remember to check your email and Canvas often - **at least 2-3 times per week**.

Module 1 - Fundamentals of Behavioral Economics

Topics:

- Introduction to Behavioral Economics and Key Microeconomic Concepts

- Insights from Behavioral Science: Social Preferences and Norms

- Cognitive Biases and Mental Shortcuts in Decision-Making

- Problems with Probabilities and Decision-Making Under Uncertainty

- Instinctive Urges vs. Thoughtful Deliberation in Dual-Process Thinking

Readings:

- **Textbook**:

  - Chapter 1: *Introduction & Key Concepts of Microeconomics*
  - Chapter 2: *Insights from Behavioral Science*

- **Journal Articles**:

  - Thaler, R. H. (1980). *Toward a Positive Theory of Consumer Choice. Journal of Economic Behavior & Organization*, 1(1), 39-60.
  - Kahneman, D. (2003). *Maps of Bounded Rationality: Psychology for Behavioral Economics. American Economic Review*, 93(5), 1449-1475.

Module 2 - Time Preferences

Topics:

- Discounting and Present Bias in Decision-Making

- Time Inconsistency and Its Effects on Choice and Regret

- Estimating Discounting Parameters Through Economic Experiments

- Procrastination and Preproperation: Deciding When to Act

- Self-Awareness in Overcoming Present Bias and Cluelessness

Readings:

- **Textbook**:

  - Chapter 9: *Discounting and Present Bias*
  - Chapter 10: *Time Preferences and Saving*
  - Chapter 11: *When to Act*

- **Journal Articles**:

  - O'Donoghue, T., & Rabin, M. (1999). *Doing It Now or Later. American Economic Review*, 89(1), 103-124.
  - Other articles will be assigned later.

Assignments for Module 1-2:

- **Homework assignments**

- **Quiz 1:** Week of Feb 3-7 (5%)

- **Exam 1**: Week of Mar 3-7 (25%)

  - Covers material from Module 1-2
  - Multiple-choice questions, short answers, problem solving, and essay questions

- **In-class activities**

Module 3 - Risk Behavior

Topics:

- Risk Preferences and the Foundations of Prospect Theory

- Understanding Risk Aversion and Risk Neutrality

- Key Parameters in Prospect Theory and Experimental Evidence

- Probability Weighting and Problems with Probability

- Applications of Prospect Theory to Puzzles and Insurance Decisions

Readings:

- **Textbook**:

  - Chapter 15: *Risk Preferences and Prospect Theory*
  - Chapter 16: *Problems with Probability*
  - Chapter 17: *Prospect Theory and Asset Markets*
  - Chapter 18: *Prospect Theory and Insurance*

- **Journal Articles**:

  - Articles will be assigned later.

Module 4 - Selected Topics in Behavioral Economics

Topics:

- We will decide which selected topics to explore for the last 2-3 weeks of the course together.

Readings:

- **Textbook**:

  - Chapter 3: *Social Norms: Sharing and Enforcement*
  - Chapter 5: *Public Goods and Voluntary Contributions*
  - Chapter 24: *Bargaining and the Endowment Effect*

- **Journal Articles**:

  - Articles will be assigned later.

Assignments for Module 3-4:

- **Homework assignments**

- **Quiz 2:** Week of Mar 17-21 (5%)

- **Exam 2**: Details TBA (25%)

  - Covers material from Module 3-4
  - Multiple-choice questions, short answers, problem solving, and essay questions

- **In-class activities**

Assessments and Grading

- **Homework assignments**: 30%

    - 6-8 in total
    - The lowest 1-2 will be dropped at the end of the semester

- **Quizzes**: 10%

    - **Quiz 1**: Covers Module 1-2 content – 5%
    - **Quiz 2**: Covers Module 3-4 content – 5%

- **Exams**: 50%

    - **Exam 1**: Covers Module 1-2 Content – 25%
    - **Exam 2**: Covers Module 3 Content – 25%

- **In-class activities and other assignments**: 10%

Letter	Range %	Letter	Range %	Letter	Range %
A	96-100	B	83-86.99	C	70-76.99
A-	90-95.99	B-	80-82.99	D	60-69.99
B+	87-89.99	C+	77-79.99	F	0-59.99

Final scores and grades will **not** be rounded up. **All final grades, including plus/minus grades will be given at the sole discretion of the professor.**

If you have any questions or concerns about your grade, please contact the instructor immediately. Please be proactive about your grades, and do not wait until the last minute.

Course Expectations

Student Workload

- **Attendance**: Attendance is not mandatory but you are strongly encouraged to attend and participate in every class.

- **Reading and Preparation**: Complete all assigned readings before working on assignments.

- **Assignments**: Submit all assignments by the deadlines; late submissions will not be accepted.

- **Exams**: Prepare thoroughly for exams; they are significant components of your grade.

Instructor Role

- **Guidance**: Provide clear instructions and expectations for assignments and assessments.

- **Feedback**: Offer detailed feedback on assignments and research proposal steps.

- **Support**: Be available for questions and guidance via office hours and Canvas messages.

Course Policies

Academic Integrity

- **Original Work**: All submissions must be your original work.

- **Plagiarism**: Plagiarism will not be tolerated and may result in severe penalties.

AI Policy

Acknowledging that generative AI tools are now practical resources, you are permitted to use them (such as ChatGPT) to assist with any assignments completed outside of class (they are, however, **strictly prohibited during quizzes and exams**). If you choose to employ these tools, you **must** include a statement detailing how and to what extent they were used, specify the AI platform utilized, and provide all prompts that contributed to your assignment. Be aware that generative AI often struggles with accurate citations, so, it remains your responsibility to ensure all sources are properly cited, whether you used AI assistance or not.

Exams

- **Honor System**: Exams are to be completed individually without external assistance.

- **Timing**: Exams must be completed within the allocated time frame.

Late Submissions

Late submissions will not be accepted unless you have a university-approved documentation.

Communication

- **Email**: Check the course Canvas page as well as your Canvas inbox and email regularly for course updates.

- **Office Hours**: Available by appointment for additional support.

If you have any further questions or need clarification on any aspect of the course, please feel free to reach out via Canvas inbox or email.

University Policies

Before starting this course, please review the following pages:

- Policies

- Netiquette

- Technical Requirements and Skills

- Accessibility and Accommodation

- Panthers Care & Counseling and Psychological Services (CAPS)

- Academic Misconduct Statement

- Copyright Statement

- Inclusivity Statement