

Please note: This is a preliminary syllabus and is subject to change. It provides useful introductory detail and additional course insight as you prepare for the application process.

**BEPP 0001:**  
**Introduction to Behavioral Economics**

### Course Description & Objectives

Governments and firms set policy in a world of behavioral agents. This course will present economic approaches to these policy problems when individuals act in behavioral ways.

Readings will be newspaper articles that will be discussed in class. Assignments — two problem sets and an exam — will include qualitative and quantitative analysis.

### Course Overview

Behavioral economics applies insights from psychology to the study of economic phenomena. This course will take the possibility of deviations from rational, self-interested behavior as a starting point, and explore two main questions: What does behavioral economics imply for public policy? What does behavioral economics imply for firms' behavior in markets?

Much of the class focuses on the role of behavioral economics in determining whether and how government should intervene in markets — including what policy makers should do to address market failures, combat poverty and inequality, and raise revenue (i.e., “Behavioral Public Finance”). The course will also cover how firms choose to price and to motivate workers in markets with behavioral agents and will examine whether market pressures will eliminate behavioral biases or whether firms will take advantage of them.

### Reading

Most classes will require readings to be done in advance (usually articles from newspapers).

### Grading

Grades will come from the following sources:

<b>Assignments</b>	50%
<b>Class participation</b>	20%
<b>Exam</b>	30%

### Assignments

There will be two problem sets that will include quantitative problems and policy analysis.

### Class Participation

You must come to class prepared. All reading must be completed before class, and you should be ready to discuss the economic concepts and applications when you arrive. Successful participation in class will reflect positively on your class participation grade, as will regular attendance and on-time arrival.

### Exam

Exam will be synchronous, virtual, and open book

### Prerequisites

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This course has no formal prerequisites.

### Optional Text:

*Policy and Choice*

[https://www.brookings.edu/wp-content/uploads/2016/07/policyandchoice\\_book.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/policyandchoice_book.pdf)

Chapter 2: Psychology and Economics

Chapter 3: Behavioral Economics and Public Finance

### Course Outline

<b>Week</b>	<b>Topic</b>	<b>Assignments</b>
<b><i>Part 1: Foundational Concepts with Behavioral Agents</i></b>		
<b>1</b>	Course Introduction and Basic Economic Principles	
<b>2</b>	Welfare Economics	
<b>3</b>	Market Power	
<b>4</b>	Externalities, Internalities, and Public Goods	
<b>5</b>	Asymmetric Information	
<b><i>Part 2: Government Policy Making in a World of Behavioral Agents</i></b>		
<b>6</b>	Inequality and Redistribution	*First homework due*
<b>7</b>	Taxation I	
<b>8</b>	Taxation II	
<b>9</b>	Pigouvian Taxation and the Coase Theorem	
<b><i>Part 3: Firm Behavior in a World of Behavioral Agents</i></b>		
<b>10</b>	Pricing to Biased Consumers I	
<b>11</b>	Pricing to Biased Consumers II	*Second homework due*
<b>12</b>	Behavioral Workers and Managers I	
<b>13</b>	Behavioral Workers and Managers II	
<b>14</b>	Exam	

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Article: ["If Workers Slack Off, the Wristband Will Know. \(And Amazon Has a Patent for It.\)](#)