

Behavioral Economics

Course Information

Course Title:	Behavioral Economics
Course Number:	ECON-UH 2310EQ
Credit Units:	4
Term:	Fall 2025
Location:	Computational Research Room 004
Class time:	Tuesdays and Thursdays, 8:30 AM - 9:45 AM
Office hours:	Tuesdays 10:00 AM to 11:00 AM (or by appointment)
Prerequisites:	Markets/Principles of Microeconomics (SOCSC-UH 1111) Statistics for the Social and Behavioral Sciences (SOCSC-UH 1010Q)

Instructor Information

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Course Description

This course introduces students to the field of behavioral economics, which seeks to combine standard economic thinking with more psychologically-plausible assumptions about human behavior. This is accomplished by making nonstandard assumptions about human preferences, exploring nonstandard beliefs, and emphasizing the limitations of our decision-making faculties. Predictions about individual behavior are more accurate and the policies of governments are more effective when these more-realistic models are effectively used. The topics covered include, but are not restricted to, choice under uncertainty, bargaining and negotiations, overconfidence and competitiveness, stereotypes and discrimination, moral and social norms, and procrastination and intertemporal choice. Each topic is approached by examining evidence that is not easily explained by a/the canonical economic model and then asking how and why it can be better explained by making specific deviations from the standard rationality assumptions. Specific policy interventions that can be used to help people make better decisions will also be discussed.

This course counts towards the following degree requirements: major in economics (behavioral and experimental track), minor in economics, and the quantitative reasoning or experimental inquiry core.

Course Learning Outcomes (CLOs)

Program learning outcomes and their intensity (low (L) , medium (M), high (H)) are in parentheses.

1. Understand the economic concept of rationality in different domains and evaluate its descriptive precision in light empirical evidence (ECON 1-H, ECON 4-H)
2. Explain how the following concepts impact economic decision-making: status quo bias, endowment effect, reference dependence, loss aversion, hyperbolic discounting, dynamic inconsistency, pre-commitment, overconfidence, stereotypes, other-regarding preferences, and lying aversion. (ECON 4-H)
3. Identify situations where the concepts from behavioral economics can be used to design economic policy and explain why these policies might be preferable to more traditional approaches. (ECON 1-H, ECON 2-M, ECON 4-M)
4. Understand the implications of behavioral economics to our understanding of welfare and the role of government. (ECON 1-M, CORE 1-M, CORE 4-M)

Teaching and Learning Methodologies

This course relies on a combination of lectures, in-class discussions, and economic experiments. The course lectures are used to impart the foundational models in behavioral economics, the departures of rationality, and present evidence supporting alternative behavioral hypotheses. The merits of these models will be discussed at length during in-class discussions in which students are expected to participate actively. To gain hands-on experience with the behavioral mechanisms at play, students will participate in economic experiments conducted during class time. We will visit the Social Science and Economics Laboratory at NYUAD too and get acquainted with the full procedures of conducting an experimental session.

We will also have guest lectures from NYUAD scholars who are experts in the field as well as the possibility to attend seminars on cutting-edge research from external guests. During guest lectures, students will get acquainted with the class of research being conducted at NYUAD and this will be an opportunity to create connections with scholars on campus. During seminars of external speakers, students will be exposed to novel research questions that push the boundaries of knowledge. The purpose of these talks is to give students a sense of how academic seminars work, the culture and dynamics within them, and offer a insights into the creative research process of the behavioral economist.

Course Materials

There are no required texts. The required readings will be based on journal articles and case studies available in NYU Brightspace. Besides required readings, supplementary recommended readings for the advanced student will be provided. These are targeted towards those who would like to deepen

their knowledge and are considering graduate studies in Economics. Lecture notes will also be provided after each class.

The books below are fun to read and are a good starting point for many of the topics covered in class. They are not required reading, but students who want to have a better idea of what the course will be about are encouraged to take a look.

- *Nudge: Improving Decisions About Health, Wealth, and Happiness* by R.H. Thaler & C.R. Sunstein.
- *Thinking, Fast and Slow* by Daniel Kahneman.

The resources below are handbooks that summarize the main topics in experimental economics and are meant for the advanced student seeking a detailed understanding of experimental methods:

- *Kagel, John H., and Alvin E. Roth, eds. The Handbook of Experimental Economics, Volume 1. Princeton university press, 1995.*
- *Kagel, John H., and Alvin E. Roth, eds. The Handbook of Experimental Economics, Volume 2. Princeton university press, 2020.*

Course Assignments and Grades

The final course grade is comprised of the following elements. Corresponding course learning outcomes are in parenthesis.

- *Class participation* (15%). (1, 2)
- *Academic Article presentation* and the ensuing *class discussion* (15%). (1, 2, 3)
- *A group project* (25%). (1, 2, 3)
- *A midterm exam* (20%). (1, 2, 3)
- *A final exam* (25%). (1, 2, 3)

Participation

A vital course requirement is an active involvement in the class discussion. Your participation is essential—for both your learning and that of other students. Therefore, 15% of the final grade is based on *active participation during class*.

Active participation includes asking and answering questions during lectures as well as taking part in in-class discussions. You should expect to be called upon to offer your opinions on the course material at any point. Your participation will be evaluated in each class according to your demonstrated engagement. Note that your participation grade will hinge mostly on the quality of your remarks. However, you must participate enough for me to assess your contribution. In other words, you do not need to take part in or dominate the class discussion continually. Instead, concentrate on contributing a few words that raise relevant issues that enhance class focus and reveal that you have been listening to what your classmates said.

In addition to participation in class discussions, personal hands-on experience with economic decision-making is an essential part of the learning experience. Therefore, participation in economic experiments during class is a crucial element. This part of your participation grade will depend on your engagement in and how seriously you take the experiment.

Course Attendance

Because class participation is essential for the course, unexcused absences will significantly impact your overall grade. If you cannot attend class due to unavoidable circumstances such as an illness, you are expected to notify me of your absence by email before class. Each unexcused absence will reduce your letter grade by one level (e.g., from a B+ to a B).

Academic Article Presentation

You and three other group members will be asked to present an academic article related to a class topic and lead the ensuing class discussion. The presentation should last around 30 minutes and will be graded for clarity, focus, accuracy, structure, and poise. Topics for the presentations will be chosen on the third week of class, and the first presentation will take place on the sixth week of class. Note that, even though you will choose your topic well in advance, the specific article you will be asked to present will be given to you exactly one week before you present. This ensures that all groups have the same amount of time to prepare.

Group Project

There are two possible types of group papers: a policy intervention proposal and an experimental investigation proposal.

Policy: consists of a discussion of a real-world problem and a potential policy intervention that could potentially resolve it. The policy intervention should be inspired by a behavioral economics model. The paper should clearly motivate the problem, identify a potential solution, and most importantly, identify why the problem occurs and why the policy intervention will solve it. You will be working in the groups of four students but these groups do not need to be the same groups of the presentation.

Experimental Design: consists of designing an experiment to test a hypothesis (or several hypotheses) of human behavior. Prior to proposing an experimental design, the group will identify a research question relevant to behavioral economics (or broadly within the social sciences). Students will specify their research hypotheses based on the material we have covered and their own literature search. An experiment must be proposed in order to answer the research question and test the hypotheses.

Midterm Exam

The midterm exam covers the material of weeks 1-6.

Final Exam

The final exam covers all the material seen in class, including material from group presentations.

Course Outline

Below is the outline of the course. This is meant as a rough guide of the topics and the sequence in which they will be covered. The instructor retains the right to change or deviate from the course outline. A more detailed course outline is available in the course website.

Week	Topics and readings
1	Introduction: thinking fast and slow, rationality, “standard assumptions”, bounded rationality Thaler. 2016. “Behavioral Economics: Past, Present, and Future.” American Economic Review 106 (7): 1577–1600.
2	Risky choice I: expected utility, prospect theory Kahneman, Knetsch, and Thaler. 1991. “Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias.” Journal of Economic Perspectives 5 (1): 193–206. Loomes. 2010. “Prospect theory.” In Behavioural and Experimental Economics, 212–20. London: Palgrave Macmillan UK.
3	Risky choice II: loss aversion, probability weighting, reference dependent preferences Siegel and Thaler. 1997. “Anomalies: The Equity Premium Puzzle.” Journal of Economic Perspectives 11 (1): 191–200.
4	Intertemporal choice I: discounting, present-bias, self-control Loewenstein and Thaler. 1989. “Anomalies: Intertemporal Choice.” Journal of Economic Perspectives 3 (4): 181–93. Chabris, Laibson, and Schuldt. 2010. “Intertemporal Choice.” In Behavioural and Experimental Economics, 168–77. London: Palgrave Macmillan UK.
5	Intertemporal choice II: dynamic inconsistency, demand for commitment, procrastination O’Donoghue and Rabin. 1999. “Doing It Now or Later.” American Economic Review 89 (1): 103–24.
6	Nudging: defaults, libertarian paternalism Thaler and Sunstein. 2003. “Libertarian Paternalism.” American Economic Review 93 (2): 175–79.

	Midterm. Covers week 1-6.
7	Beliefs I: implicit stereotypes, discrimination Smith and Nosek. 2010. "Implicit Association Test." In The Corsini Encyclopedia of Psychology. Hoboken, NJ, USA: John Wiley & Sons, Inc.
	Beliefs II: Bayesian updating, winner's curse
8	Charness and Levin. 2005. "When Optimal Choices Feel Wrong: A Laboratory Study of Bayesian Updating, Complexity, and Affect." American Economic Review 95 (4): 1300–1309. Thaler. 1988. "Anomalies: The Winner's Curse." Journal of Economic Perspectives 2 (1): 191–202.
	Beliefs III: stereotype threat, statistical discrimination
9	Spencer, Logel, and Davies. 2016. "Stereotype Threat." Annual Review of Psychology 67 (1): 415–37.
	Performing: overconfidence, competition aversion
10	Readings TBA.
	Social preferences I: other-regarding preferences, social norms
11	Section 3 of Fehr and Schmidt. 2006. "The Economics of Fairness, Reciprocity and Altruism-Experimental Evidence and New Theories." In Handbook on the Economics of Giving, Reciprocity and Altruism, edited by Serge C Kolm and Jean M Ythier, 615–91. Amsterdam: Elsevier.
	Social preferences II: trust, betrayal, reciprocity, guilt aversion
12	Readings TBA.
	Behavioral public policy: welfare analysis
13	Bernheim and Rangel. 2010. "Behavioural public economics." In Behavioural and Experimental Economics, 51–8. London: Palgrave Macmillan UK.
14	Group Project Presentations

Integrity

At NYU Abu Dhabi, a commitment to excellence, fairness, honesty, and respect within and outside the classroom is essential to maintaining the integrity of our community. By accepting membership in this community, students, faculty, and staff take responsibility for demonstrating these values in their own conduct and for recognizing and supporting these values in others. In turn, these values create a campus climate that encourages the free exchange of ideas, promotes scholarly excellence through active and creative thought, and allows community members to achieve and be recognized for achieving their highest potential.

Students should be aware that engaging in behaviors that violate the standards of academic integrity will be subject to review and may face the imposition of penalties in accordance with the procedures set out in the [NYUAD policy](#).

Mental Health Awareness

As a University student, you may experience a range of issues that can interfere with your ability to perform academically or impact your daily functioning, such as: heightened stress; anxiety; difficulty concentrating; sleep disturbance; strained relationships; grief and loss; personal struggles.

If you have any well-being or mental health concerns please visit the Counseling Center on the ground floor of the campus center from 9am-5pm Sunday - Thursday, or schedule an appointment to meet with a counselor by calling: 02-628-8100, or emailing: nyuad.healthcenter@nyu.edu.

If you require mental health support outside of these hours call NYU's Wellness Exchange hotline at 02-628-5555, which is available 24 hours a day, 7 days a week.

You can also utilize the Wellness Exchange mobile chat feature, details of which you can find on the student portal. If you need help connecting to these supports please contact me directly.

Appendix

The Major Program Learning Outcomes (PLOs) relevant to this course are.

- ECON 1. Critical Thinking: Students can analyze the essentials of a problem logically and independently. They understand basic micro and macro-economic concepts and can relate them to real life situations. They can choose and execute modeling strategies with guidance.
- ECON 2. Written and Oral Communication: Students can write coherent and accurate reports on current economic events and on their own empirical work. They have the ability to deliver oral presentations that explain economic concepts and they know how to defend their economic analysis effectively and accurately. They demonstrate computer literacy in the preparation of reports and presentations.
- ECON 4. Proficiency in Microeconomic analysis. Sufficiently prepared to understand the main contribution of current research in microeconomics and its relation to the real world.
- CORE 1. Critically examine historical and contemporary topics of global significance, which includes formulating clear, precise questions and arriving at well-reasoned conclusions using a) qualitative, b) quantitative, c) contextual, and d) creative modes of reasoning.
- CORE 4. Identify and reflect critically on conceptual and ethical complexity.