



Department of Economics
University of Southern California
Spring 2025 **Econ 415 26339R: BEHAVIORAL ECONOMICS**

LOCATION / TIME: **Mon/Wed 4-5.20pm at TTH 116**

INSTRUCTOR: Yilmaz Kocer kocer@usc.edu, **OFFICE:** KAP 118. I will respond to emails most probably within hours (will not exceed 24 hours for sure) if sent during reasonable hours 9am-11pm, weekday or weekends. Please use "ECON 415" in the subject line in your emails. I will be more vigilant on being prompt with my replies closer to exams or assignment deadlines to be of immediate help.

OFFICE HOURS: I will be available for all your questions in person and over [Zoom](#) on **Mondays and Wednesdays 10.30-11.30am**. I will announce (on blackboard or via email) many extra office hours as demand arises throughout the semester, particularly before the midterm and the final exam. If you can't make them or if you have a short question, email me to arrange another time to meet over zoom or in person.

TEACHING ASSISTANT: Your TA TBD??? will hold regular office hours (???) for content and grading related questions. Please email all your grading related questions directly to ???, and I will only hear grading related questions from your TA first.

Course BLACKBOARD Website: All course materials; instructions, announcements, discussion/feedback, exams, sample/practice exams, their answer keys, your grades etc. will be posted on the course page on Blackboard. Familiarize yourself with the syllabus, announcements, contents and assignments tabs.

Required Textbook:

"A Course in Behavioral Economics" by Erik Angner, 3rd ed. (2021),

Recommended textbooks:

"An Introduction to Behavioral Economics" by Wilkinson & Klaes 3rd edition (2018), Macmillan and Palgrave publishing houses, ISBN 978-1-137-52412-6.

I will also post lecture notes, slides and practice problems to support the coverage throughout the semester. More advanced/detailed textbooks for your interest include:

"Behavioral Economics: Evidence, Theory, and Welfare" by Brandon Lehr, 1st ed. (2022) Routledge publishing,

"Advances in Behavioral Economics" by Camerer & Loewenstein & Rabin, (2004) Princeton press

Course Description:

In the course, we will study how behavioral economists explain a range of psychological and social phenomena, and how those explanations differ from standard economic ones. Likely topics include addiction and drug use, crime, gambling, over-eating, overconfidence, procrastination, framing effects, relevance of sunk costs for decisions, spite and revenge and reciprocity in social and economic decisions. We will study various ways in which (apparent) irrationality influences people's judgment and decision-making. Behavioral economics is invaluable to anyone with an interest in human behavior. It is particularly relevant to those with an interest in economics, management, marketing, industrial organization, public policy, and the psychology of judgment and decision-making. As an attempt to incorporate insights from psychology into economics, it has already led to multiple Nobel Prizes, it is taught in all major universities, and is beginning to have a huge impact in finance, marketing, management, industrial organization, psychology, political science, and philosophy.

Prerequisites: ECON 303 and some very basic calculus; for example taking derivatives of polynomials and logarithms (I will review those materials as we need it).

Learning Objectives: At the successful completion of this course, students will be able to:

- Demonstrate an understanding of the standard economic theory particularly the theory of rational choice under certainty and uncertainty.
- Critically evaluate the rational choice theory using real-world examples, and provide examples on how heuristics can lead to systematic errors and biases in decision making.
- Develop an ability to critically evaluate different theories of decision making. Identify the role of heuristics and deviations from rationality when making decisions in every sphere of life. Develop and strengthen the ability to discuss concepts and thoughts in writing.
- Demonstrate an understanding of how behavioral economics incorporates psychological factors into standard theories to adequately describe human choice, and to improve the predictive power of economic theories.
- Develop an understanding of how behavioral economics can be used to improve individual decision making in different spheres of life, and how it can be used in economic policy making.
- Critically assess whether people make poor choices and whether they could/should be helped to make better choices; in what ways the predictive power of behavioral economic theories can be used in economic policy making.

Class Participation

Even though it is not directly part of your grade, your attendance and active presence in class is essential. Stay engaged, ask questions if anything is unclear, suggest answers to questions I pose, read the relevant textbook(s) chapters and any additional readings I assign. The course material is dense, loaded with many ideas, concepts, problems so a casual interest and less-than-full commitment will not suffice to be successful in this course and many hints about exam preparation will be given during the lectures.

GRADING CRITERIA

Grading component	%weight
Midterm Exam March 5th Wednesday	25%
7-8 Problem Sets (homework) -worst 2 will be omitted-	38%
FINAL EXAM May 7st Wednesday 4.30-6.30pm	37%

GRADING

All graded elements in this course will be in the format of technical problems, similar in structure to the in-class exercises, problem sets and/or questions about definitions/terms/scenarios that involve decision making that falls outside of the fully rational homo-economicus paradigm.

The Midterm Exam and the Final Exam

The dates are already set as above and they will be in delivered in person in class. No books/notes/cell phones are allowed but calculators are okay, even though I don't think you'll need it. The final exam is cumulative ; it covers all material studied throughout the semester; however it will predominantly (around %80) test the second half of the course (material after the midterm exam), to give equal grading coverage to all topics. The final exam is around 40-50% longer than the midterm exam both in size and in time duration.

Problem SETS 7-8 problem sets will be assigned throughout the semester, roughly one for every 1-2 weeks and your **worst 2** will be dropped! I will announce the due dates for the problem sets both in class and on *Blackboard* and you will at least have 3-4 days to complete it. A problem set can either be 1) a set of 3-5 technical problems about the content similar to in-class exercises that are relatively hard and challenging; or 2) a set of conceptual questions. You must each write down your own answers and submit them individually; and be prepared to present them during class if called upon. They will be posted on bb under *assignments* tab, and you are required to submit your work back on bb as a **single legible pdf file**; no hand delivery of problem sets to me or to your TA in person.

IMPORTANT REMINDERS

1) Students with OSAS accommodations should reach out to me as soon as they get the paperwork, as I cannot accommodate them without the paperwork or retroactively. They should also arrange, in advance, to take the exams in the OSAS office.

2) There will be no opportunities for extra credit in this course.

3) Please ask all grading related questions, emails directly to your TA first. You have two weeks after the announcement of grades for an exam or problem set to voice your concerns about any incorrect grading or missing grades; after that time, the grades for that exam/problem set are fixed and cannot be modified.

After meeting with your TA, if you still feel your work was graded incorrectly, please submit your work and a brief written explanation of your argument. I will regrade the entire answer, which means that your score may go down.

4) I will assume you have a commitment to academic integrity as per [the student handbook](#) or the [Office of Academic Integrity's website](#).

5) Please refrain from cell phone or laptop use during class, unless you are using your tablet/laptop solely for note taking purposes, which you should let me know at the beginning of the course.

6) As this course is highly technical/quantitative yet does not have dedicated discussion sessions to practice with problems; it is imperative for you to practice with as many problems as possible yourself.

MISSING an EXAM or a PROBLEM SET:

You will get a 0 score for a problem set, midterm exam or the final exam if you miss it, except in the case of USC registrar's definition of an emergency (See [USC Grading and Correction of Grades Handbook](#)) which includes documented medical and family emergencies characterized by severe and unforeseen hardship. According to USC guidelines, "no student is permitted to omit the [final examination]." Per the guidelines, in case of "a documented illness or other [event that meets the registrar's definition of emergency] occurring after the withdrawal deadline for the course," an incomplete grade (IN) will be assigned. Thus, if you miss the final exam for a reason that meets the USC registrar's definition of emergency, you will be assigned an incomplete grade IN for the course.

If you miss a midterm exam for a valid reason as described above, its weight will be pushed towards the next midterm (if there is one) and the final exam. In this case, you should provide me with the proofs of the medical or family emergencies.

Having another midterm or final exam on the same day is not an excuse for not taking it. If you ever have a conflict with an exam date, see me as soon as you are aware of it (it must be at least two weeks in advance). There is no makeup exam for the midterm, the final exam, or the problem sets!

Missing a problem set is less problematic, for both you are having many days to complete it and **“dropping your worst 2 problem sets” from your grade is expressly designed to buffer against unforeseen hardships and illnesses and family emergencies.** Please do not email me to be excused for a problem set unless you miss 3 or more problem sets, in which case I will ask you to document your excuse for all missed problem sets to show they meet the registrar’s emergency criterion (in which case I excuse you from); otherwise, you will get 0 credits for all missed problem sets. Still, I urge you to complete and submit each one of them, to start working on them as early as they are posted on bb. Late PS submissions will receive NO credit as I will post the answers on blackboard right at the deadline, so please submit whatever you have by the deadline to get any credit and please do not email me for an extension.

How to do well in this course: Listen to the lectures carefully and read the relevant sections from your book beforehand. Study the in class exercises, problem sets and textbook end of chapter problems very carefully. Make sure to understand the mechanism behind each model we study in class, and the reason behind every equation in the problems we solve in class, in the textbook and in the problem sets and exams. Work with your friends on the difficult problems. Learn from each other. Seek help from your TA and myself; we are here to help you.

Topics and Tentative Outline

The following is a tentative outline of the topics to be covered during each class meeting, as the pace of the course may vary. The midterm exam and the final exam dates are already set. PS (problem sets) will be evenly spread over the weeks.

Week	Dates	Topic	Readings W=Wilkinson A=Angner L=lec. notes
1	Jan 13, 15	<i>Introduction</i> , Nature of Behavioral Economics and Methodology	A1, W1,W2,L
2	Jan 22	Foundations: values, preferences, choices	A2,A3,W3
3	Jan 27, 29	Beliefs and expectations	A4, W4
4	Feb 3, 5	Risk and Uncertainty Judgment under Risk; heuristics and biases	A5,W4
5	Feb 10, 12	Decision Making under Risk	A6,A7,W5
6	Feb 19	Decision Making under Uncertainty, maxmin utility	A7,W5
7	Feb 24, 26	Mental Accounting, Reference Dependence, Loss Aversion	W6,L
8	Mar 3, 5	Review, Midterm Exam	
9	Mar 10, 12	Intertemporal Choice: discounted utility model	A8,W7
10	Mar 24, 26	Hyperbolic Discounting and other alternatives	A9,W8
11	Mar 31, Apr 2	Commitment, precommitment, naivete/sophistication	A9,W8
12	Apr 7, 9	Strategic interaction: Behavioral Game theory	A10,W9
13	Apr 14, 16	Social Preferences; inequality aversion, altruism, reciprocity	A11,W10
14	Apr 21, 23	Behavioral Welfare Economics	A12
15	Apr 28, 30	Nudges, Choice Architecture, policy	W11,L
		FINAL EXAM May 7th Wednesday 4.30-6.30pm	

Support Systems:

Counseling and Mental Health – (213) 740-9355 – 24/7 on call Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

988 Suicide and Crisis Lifeline – 988 for both calls and text messages – 24/7 on call the 988 Suicide and Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week, across the United States. You can also call (800) 273-8255

Relationship and Sexual Violence Prevention Services (RSVP) – (213) 740-9355(WELL)– 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender- and power-based harm (including sexual assault, intimate partner violence, and stalking).

Office for Equity, Equal Opportunity, and Title IX (EEO-TIX) – (213) 740-5086 Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

Reporting Incidents of Bias or Harassment – (213) 740-5086 or (213) 821-8298

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

The Office of Student Accessibility Services (OSAS) – (213) 740-0776

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

USC Campus Support and Intervention – (213) 740-0411 Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity, Equity and Inclusion – (213) 740-2101 Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency – UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety – UPC: (213) 740-6000, HSC: (323) 442-1200 – 24/7 on call

Non-emergency assistance or information.

Office of the Ombuds – (213) 821-9556 (UPC) / (323) 442-0382 (HSC) A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

Occupational Therapy Faculty Practice – (323) 442-2850 or otfp@med.usc.edu

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.