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BACHELOR DEGREE: Economics

COURSE: **Behavioral Economics**

PROFESSOR: Kazuhiro Hara

CLASS LOAD: 30h

PREREQUISITE: None

OFFICE HOURS:

**CLASS TIME LOAD: Saturday Morning (2 consecutive classes of 1h45min each)**

## PROGRAM OF STUDIES

### 1. Topics

Rational Choice, Bounded Rationality in Choice, Utility Theory, Risk Preferences, Games with Behavioral agents,

### 2. Objectives of the course

Objectives of the course includes:

1. introduce basic ideas in behavioral economics.
2. develop understanding of rationality assumptions in economic theory
3. learn human behaviors inconsistent with the standard theory.
4. learn how ideas in behavioral economics explain such anomalies.

### 3. Detailed programmatic content

1. Choice Theory
  - 1-1. Preference relation and Assumptions of Rationality
  - 1-2. Rational choice, Weak Axiom of Revealed Preference (WARP)
  - 1-3. Violation of WARP and Experiments
  - 1-4. Models of Boundedly Rational choice
2. Utility Theory

- 2-1. Utility and Preference
- 2-2. Utility functions in economic applications
- 2-3. Existence of Utility representation
- 3. Risk and Uncertainty
  - 3-1. Expected Utility and the Independence axiom
  - 3-2. Violations of Expected Utility
  - 3-3. Non-expected Utility theories
  - 3-4. Prospect Theory
  - 3-5. Applications
- 4. Game Theory with Behavioral agents
  - 4-1. Quantal response equilibrium
  - 4-2. Cognitive Hierarchy Theory
  - 4-3. Social norms

#### **4. Evaluation procedures**

The evaluation is based on problem sets, participation to in class experiments, and the final exam.

#### **5. Bibliography**

Advanced detailed treatment of most of the topics covered in this course can be found in Dhami (2016). For less advanced treatment, I recommend Angner (2016).

Sanjit Dhami. *The Foundations of Behavioral Economic Analysis*. Oxford University Press, 2016.

Erik Angner. *A Course in Behavioral Economics* second edition. Macmillan Education Palgrave, 2016.

#### **6. Professor Short Bio**

Kazuhiro Hara has a Ph.D. in Economics. He is an assistant professor at FGV EPGE and teaches graduate and undergraduate courses.