Organization:  Economics 206 meets from 11:00-12:20 on Mondays and Wednesdays, January 8 through March 14 (university holidays January 15 and February 19 excepted), in Economics 210. My office hours throughout the quarter will be Wednesdays from 2:00-3:00 or by appointment. The course website is http://weber.ucsd.edu/~vcrawfor/econ206.html. The first half (approximately) will cover standard topics in the traditional theory of decisions. The second half will cover topics in behavioral decision theory. Instead of a final exam there will be two take-home mini-exams, one for each half. You must work on these individually, without consulting anyone but me. The first mini-exam will be posted on the website by 4 p.m. Wednesday, February 7, and due by email or in the course mailbox in Economics Student Services by 4 p.m. Friday, February 9. The second mini-exam will be posted by 4 p.m. Wednesday, March 14, and due by email or in the course mailbox by 4 p.m. Friday, March 16 (the last day of classes). The 48-hour time limits are a humanitarian gesture, and should not be binding. The dates are firm except for extreme unforeseeable events, in which case exceptions must be requested as soon as possible. I will also post optional problem sets, which should be good practice for the exams, before each segment. The second exam will include a flexible essay question on behavioral decision theory, which will be posted by the second half. This question is meant to help you think about how to use behavioral decision theory to do economics; its choices give you some freedom to make it about the kind of economics you are interested in.

I have ordered copies of the following books for the bookstore. Neither is required, strictly speaking; but both will be useful to people seriously interested in the topic of this course.


Outline and Readings (we will cover topics in the order listed, but at an uncertain rate; the most important readings are marked *; those few for which online access may be difficult are either posted on the course website or available via email request (+)); the others are easily accessible on JSTOR, Google Scholar, EconLit, ScienceDirect, etc. (Please try before asking me.) Some of my lecture notes are also posted on the course website.

1. Ordinal Utility: Representation Theorems
   *Kreps, Chapters 1–3
   *Andreu Mas-Colell, Michael D. Whinston, and Jerry R. Green, Microeconomic Theory, New York: Oxford University Press, 1995, Chapter 1, Chapter 3A–E

2. Basic Models of Decision Making Under Objective Uncertainty
   *Kreps, Chapter 5
3. Analytics of Risk and Risk Aversion

*Kreps, Chapter 6

4. Expected Utility and Probabilistic Sophistication under Subjective Uncertainty

*Kreps, Chapters 7–9

5. Applications of the Classical Model


6. Evaluating the Underlying Assumptions of the Classical Model: Evidence and Alternatives

A. Choice under Uncertainty (or Certainty)
+Botond Kőszegi and Matthew Rabin, “Reference-Dependent Risk Attitudes,” manuscript, October 2006


B. Heuristics and Biases in Probabilistic Judgment


C. Present-biased preferences


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