

Boston College
Department of Economics

ECON 3329: Decisions: Theory and Experiments

Fall 2018

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Prerequisites Econ2201 or Econ2203

Lectures MW 3:00–4:15

Office Hours Wed 2–3 or by appointment (see more below). I strongly advise you not to wait for the office hour. If you have a question, send me an email right away. Please follow these guidelines:

1. Use your BC account.
2. Have Econ 3329 in the subject line.
3. If you have a question about slides or an article, please attach them to your mail.
4. If you didn't understand my answer, please let me know ASAP. No need to reply if you understood my answer unless I explicitly ask you to do so.

Readings Some articles.

Problem Sets Ten collections of questions, more or less every week except for exam weeks. You'll get between zero and two points for each, based on the quality of your work.

Your Obligations Your responsibilities are these:

1. Attend the meetings. If you cannot attend a meeting let me know in advance (by email).

2. Read the papers.
3. Solve the problem sets.
4. Take the exams.

Grades Will be based on your problem sets (20%), two midterms (25% each) and a final (30%).

Exams Midterm 1: Sept. 24 (25%), midterm 2: Nov. 5 (25%), and a final (30%). You have to take all exams. In case you couldn't take a midterm for an acceptable reason, the weight of the other exam will become 35% and the weight of the final will be 45%.

Lecture Notes Every week I'll post the slides for the next lectures. Please print them and bring them to the lecture.

Computers Computers and other electronic devices should not be used in class.

Website All problem sets, solutions, lecture notes, relevant articles etc. will be loaded to the Canvas course site. Please familiarize yourself with it and make sure that you know how to use it.

Food No food during lectures, please. Note: Coffee is not food...

Topics We'll discuss the following issues.

- The need for decision theory
- Expected utility theory
- Risk aversion
- Optimal portfolio selection
- Insurance
- Adverse selection, asymmetric information
- Experiments: Allais paradox and the common ratio effect
- Prospect theory and rank-dependent probabilities
- Preference reversals
- Regret theory and violations of transitivity
- Risk and uncertainty: The Ellsberg paradox