



Syllabus
HPM 715: Health Economics for Policy and
Management
Fall 2018
3 Credits | Residential

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Course Overview

Course Description This course will provide a broad overview of the field of health economics. Students will learn to apply economic concepts to the analysis of health behavior and health care markets. We will cover topics including demand for health and healthcare, health disparities, physicians and hospitals as suppliers of healthcare, health insurance, managed care, public health economics, and applications of behavioral economics to health. In addition to theory, we will cover econometric methods used by health economists and discuss empirical findings drawn from studies in both high and low-income countries.

Prerequisites BIOS 600

Instructor(s) Sean Sylvia, PhD
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Course Website https://sakai.unc.edu/portal/site/hpm715_2018
Use your ONYEN and password.

Class Days, Times, Location Thursdays, 3:30 PM – 6:30 PM, McGavran-Greenberg Hall, Room 2306

Office Hours Instructor: Mondays 3 – 4 PM; Wednesdays 9 – 10 AM
Teaching Assistant: Fridays 12 — 2 PM in Rose 116

Course Texts Required Text:

Health Economics, 1st edition (2014), by Jay Bhattacharya, Timothy Hyde, and Peter Tu, Palgrave Macmillan (“BHT”)

Other required readings are noted in the course schedule and available on the course website.

Another useful textbook on health economics is:

Economics of Health and Health Care, 8th edition, by Sherman Folland, Allen C. Goodman, and Miron Stano, Prentice Hall (“FGS”)

For advanced students, a valuable reference is:

The Handbook of Health Economics, Vol. 1 (2000), Eds. Anthony Culyer and Joseph Newhouse and Vol. 2 (2011), Eds. Mark Pauly, Thomas McGuire, and Pedro Barros.

Useful Blogs and Websites:

The Incidental Economist: <http://theincidentaleconomist.com/>

The Academic Health Economists’ Blog: <https://aheblog.com/>

The Health Care Blog: <http://thehealthcareblog.com/blog/tag/economics/>

Healthcare Economist: <http://healthcare-economist.com/>

Development Impact Blog:

<https://blogs.worldbank.org/impactevaluations/category/topics/health>

Center for Global Development:

https://www.cgdev.org/section/opinions/blogs?f%5B0%5D=field_topic%3A1421610

**Course
Format**

The course will consist of weekly in-class lectures. Lectures will draw on the assigned readings as well as published and working papers in health economics. The lecture will be supplemented with small group discussions, in-class exercises, and problem sets.

Course Policies

Recognizing, Valuing and Encouraging Inclusion and Diversity in the Classroom

We share the School's [commitment to diversity](#). We are committed to ensuring that the School is a diverse, inclusive, civil and welcoming community. Diversity and inclusion are central to our mission — to improve public health, promote individual well-being and eliminate health inequities across North Carolina and around the world. Diversity and inclusion are assets that contribute to our strength, excellence and individual and institutional success. We welcome, value and learn from individual differences and perspectives. These include but are not limited to: cultural and racial/ethnic background; country of origin; gender; age; socioeconomic status; physical and learning abilities; physical appearance; religion; political perspective; sexual identity and veteran status. Diversity, inclusiveness and civility are core values we hold, as well as characteristics of the School that we intend to strengthen.

We are committed to expanding diversity and inclusiveness across the School—among faculty, staff, students, on advisory groups, and in our curricula, leadership, policies and practices. We measure diversity and inclusion not only in numbers, but also by the extent to which students, alumni, faculty and staff members perceive the School's environment as welcoming, valuing all individuals and supporting their development.”

In this class, we practice these commitments in the following ways:

- Develop classroom participation approaches that acknowledge the diversity of ways of contributing in the classroom and foster participation and engagement of *all* students.
- Structure assessment approaches that acknowledge different methods for acquiring knowledge and demonstrating proficiency.
- Encourage and solicit feedback from students to continually improve inclusive practices.

As a student in the class, you are also expected to understand and uphold the following UNC policies:

- **Diversity and Inclusion at the Gillings School of Global Public Health:** <http://sph.unc.edu/resource-pages/diversity/>
- **UNC Non-Discrimination Policies:** <http://policy.sites.unc.edu/files/2013/04/nondiscrim.pdf>
- **Prohibited Discrimination, Harassment, and Related Misconduct at UNC:** <https://deanofstudents.unc.edu/incident-reporting/prohibited-harassmentsexual-misconduct>

Accessibility

UNC-CH supports all reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability, or a pregnancy complication resulting in difficulties with accessing learning opportunities.

All accommodations are coordinated through the UNC Office of Accessibility Resources & Services (ARS), <https://ars.unc.edu/>; phone 919-962-8300; email ars@unc.edu. Students must document/register their need for accommodations with ARS before accommodations can be implemented.

UNC Honor Code

As a student at UNC-Chapel Hill, you are bound by the university's [Honor Code](#), through which UNC maintains standards of academic excellence and community values. It is your responsibility to learn about and abide by the code. All written assignments or presentations (including team projects) should be completed in a manner that demonstrates academic integrity and excellence. Work should be completed in your own words, but your ideas should be supported with well-cited evidence and theory. To ensure effective functioning of the [Honor System](#) at UNC, students are expected to:

- a. Conduct all academic work within the letter and spirit of the Honor Code, which prohibits the giving or receiving of unauthorized aid in all academic processes.
- b. Learn the recognized techniques of proper attribution of sources used in written work; and to identify allowable resource materials or aids to be used during completion of any graded work.
- c. Sign a pledge on all graded academic work certifying that no unauthorized assistance has been received or given in the completion of the work.
- d. Report any instance in which reasonable grounds exist to believe that a fellow student has violated the Honor Code.

Instructors are required to report suspected violations of the Honor Code, including inappropriate collaborative work or problematic use of secondary materials, to the Honor Court. Honor Court sanctions can include receiving a zero for the assignment, failing the course and/or suspension from the university. If you have any questions about [your rights and responsibilities](#), please consult the Office of Student Conduct at <https://studentconduct.unc.edu/>, or consult these other resources:

- Honor system [module](#).
- UNC library's [plagiarism tutorial](#).
- UNC Writing Center [handout on plagiarism](#).

Counseling and Psychological Services

CAPS is strongly committed to addressing the mental health needs of a diverse student body through timely access to consultation and connection to clinically appropriate services, whether for short or long-term needs. Go to their website: <https://caps.unc.edu> or visit their facilities on the third floor of the Campus Health Services building for a walk-in evaluation to learn more.

Instructor Expectations

- Email** The instructor will typically respond to email within 24 hours or less if sent Monday through Friday. If you receive an out of office reply when emailing, it may take longer to receive a reply. The instructor will provide advance notice, if possible, when they will be out of the office.
- Feedback** All graded assignments will receive written feedback. Feedback is meant to be constructive and help the student continue to build upon their skills. The types of feedback you may receive are descriptive feedback, evaluative feedback, and motivational feedback. Feedback is a tool that you as a learner can use to understand the areas that you are succeeding in and what you can do to improve in other areas.
- Grading** Assignments will be graded no more than two weeks after the due date. Early submissions will not be graded before the final due date.
- Syllabus Changes** The instructor reserves the right to make changes to the syllabus, including due dates and test dates. These changes will be announced as early as possible.

Student Expectations

- Appropriate Use of Course Resources:** The materials used in this class, including, but not limited to, syllabus, exams, quizzes, and assignments are copyright protected works. Any unauthorized copying of the class materials is a violation of federal law and may result in disciplinary actions being taken against the student. Additionally, the sharing of class materials without the specific, express approval of the instructor may be a violation of the University's Student Honor Code and an act of academic dishonesty, which could result in further disciplinary action. This includes, among other things, uploading class materials to websites for the purpose of sharing those materials with other current or future students.
- Assignments** Submit all assignments through Sakai unless otherwise instructed. Emailing assignments is not acceptable unless prior arrangements have been made. If you are having issues submitting assignments, try a different web browser first. If switching browsers does not work, email or call the instructor for guidance.
- Attendance/ Participation** Attendance at every class session is expected. Though attendance will not be directly assessed, you are responsible for material covered during class time including quizzes. Note that lectures may cover material outside of assigned readings.

- Communication** You are expected to follow common courtesy in all communication to include email, discussion boards, and face-to-face. All electronic communications sent should follow proper English grammar rules to include complete sentences. This is a professional course, and you are expected to communicate as a professional.
- Contributions** You are expected to offer individual contributions in class and on individual assignments, and collaborate with fellow students on assignments for which students may work together, such as group assignments.
- Late Work** Exam date and assignment due dates will not be changed because of exams or assignments in other courses or because of conflicting vacation travel plans. Late work will not be accepted without prior permission from the instructor. The midterm and final exams can only be made up if for a University approved reason. The final exam is scheduled by the University in compliance with final exam guidelines.
- Readings** Readings for a particular class should be completed before the class session and before completing associated activities. In addition to readings from the text, peer-reviewed articles (and occasionally, working papers) will be assigned in order to give you exposure to practical applications of economic concepts and econometric methods to health-related topics. Reading assigned articles **prior to class** is essential help you a gain the best understanding of topics covered in each class and prepare you to participate actively in class discussions.
- Technical support** The UNC Information Technology Services (ITS) department provides technical support 24-hours per day, seven days per week. If you need computer help, please contact the ITS Help Desk by phone at +1-919-962-HELP (919-962-4357), or by email at help@unc.edu, or by visiting their website at <http://help.unc.edu>, or by UNC Live Chat at <http://its.unc.edu/itrc/chat>.

Competencies, Learning Objectives, and Assessment

Competencies

In this course, you will develop the following competencies:

MHA Competencies:

- C1. **Economic Analysis and Application:** Apply economic theory, concepts and decision making to understand how stakeholder incentives affect behavior, costs, and other outcomes.
- C2. **Public Health Principles:** Understand the role of social determinants, environment, and individual behaviors on the health of populations.
- C3. **Health Policy:** Discuss multiple dimensions of the policy-making process.
- C4. **Statistical Analysis:** Apply basic statistical methods relevant to public health and health care.

MSPH Competencies:

- C5. **Microeconomic Theory:** Use microeconomic theory to understand consumer and provider behavior in health care markets.

Learning Objectives

By the end of this course, you will achieve the following learning objectives.

- L1. Students will be able to use basic microeconomic theory to analyze how individuals make decisions about consumption of health goods and services.
- L2. Students will be able to discuss economic factors that contribute to health disparities.
- L3. Students will be able to understand how health care markets differ from markets for other consumer products.
- L4. Students will be able to understand the rationales and limits of government intervention in health care markets.
- L5. Students will be able to compare health care systems of other developed and developing countries to the US health care system.
- L6. Students will be able to understand key statistical methods and interpret empirical studies in the health economic literature.

Map

Competencies addressed in this course, learning objectives mapped to these competencies, and assignments that assess these competencies.

Competencies	Learning Objectives	Assessment Assignments
C1. Economic Analysis and Application	L1-L6	Reading Annotations, Quizzes, Problem Sets, Exams
C2. Public Health Principles	L1-L4	Reading Annotations, Quizzes, Problem Sets, Exams
C3. Health Policy	L4, L5	Reading Annotations, Quizzes, Problem Sets, Exams
C4. Statistical Analysis	L6	Reading Annotations, Problem Sets, Exams
C5. Microeconomic Theory	L1-L4	Reading Annotations, Quizzes, Problem Sets, Exams

Course Assignments and Assessments

Your performance in this course will be evaluated through the five following types of assignments:

Assignments	Weight
1. Reading Annotations	15
2. In-class Quizzes	15
2. Problem Sets	20
4. Midterm Exam	25
5. Final Exam	25
TOTAL	100

Grading

Grading: Refer to descriptions below for details on grading of individual assignments. The relative weight of each course component is shown in the table above.

Grading Scale:

Final course grades will be determined using the following [UNC Graduate School grading scale](#).

H	92% or above	High Pass: Clear excellence
P	75-91%	Pass: Entirely satisfactory graduate work
L	60-74%	Low Pass: Inadequate graduate work
F	Lower than 60%	Fail

Assignment Descriptions

Descriptions of the assignments follow.

1. Reading Annotations (15%)

On days when academic articles are assigned as required reading, students will be responsible for making online (collaborative) annotations of the article in *Perusall* (accessible through the course website in Sakai). Annotations are graded by a machine learning algorithm trained to identify “thoughtful” annotations that deeply engage points in the readings, stimulate discussion, offer informative questions or comments, and help others by addressing questions or points of confusion. A rubric and examples are available on the course website. For each reading in *Perusall*, you will receive a grade on a 0-3 point scale. Full credit on an assignment requires a score of 2 or 3. You’ll receive half credit for 1 point and no credit for 0 points. Annotations made after the **deadline of 9:00am on the day of the lecture** receive no credit. Note that the normal standards for plagiarism will be applied to comments in *Perusall*.

2. In-class quizzes (15%)

There will be four in-class pop quizzes during the semester. These will typically involve multiple-choice questions administered through Sakai, and cover material from the previous week’s class and readings. In calculating your final grade for the course, your lowest quiz grade will be dropped.

3. Problem Sets (20%)

Four problem sets will be assigned during the semester. These problem sets are designed to test your understanding of class material and prepare you for midterm and final exams. Problem sets will typically be 3-5 short essay questions covering and building on theoretical and statistical concepts covered in class and assigned

readings. You are encouraged to work in small groups to complete these problem sets, however each student should turn in a separate, individually prepared set of answers. **Problem sets are due by the beginning of class the week after they are assigned** and should be submitted through Sakai. Late assignments will not be graded except in extreme cases with prior approval from the instructor.

4. Exams (25% each)

The midterm and final exams will each count toward 25% of your final grade. Exams will cover content in lectures and required readings. These will assess both your knowledge of specific facts/concepts and your ability to apply concepts in different contexts. The midterm will cover course material up until the week before the exam. The final will be cumulative but will be weighted toward the second half of the semester. Questions for both exams will be short-essay format. Some of the questions will require calculations, so bring a calculator (no computers/cell phones). Exam will be graded out of 137 total points and, if necessary, final grades will be scaled (a fixed number of points added to everyone's score) so that no more than 25% of the class receives less than 70% of the total points on a given exam (137 points total is the maximum, including scale points).

Course-at-a-Glance

The instructor reserves the right to make changes to the syllabus, including project due dates and test dates. These changes will be announced as early as possible.

Unit/Week/Day	Topic	Assignment Due
Aug 23	Course Introduction/Microeconomics Review	None
Aug 30	Demand for Healthcare	Reading Annotations
Sep 6	Demand for Health and Socioeconomic Disparities	Problem Set 1; Reading Annotations
Sep 13	[[CANCELLED]]	None
Sep 20	Supply: Physicians	Reading Annotations
Sep 27	Supply: Hospitals	Reading Annotations
Oct 4	Health Insurance I	Problem Set 2
Oct 11	Health Insurance II	Reading Annotations
Oct 18	Fall Break – No Class	
Oct 25	**Midterm Exam **	
Nov 1	Health Innovation	None
Nov 8	Health Policy and International Health Systems	Problem Set 3
Nov 15	Public Health Economics	Reading Annotations
Nov 22	Thanksgiving – No Class	
Nov 29	Behavioral Health Economics	Problem Set 4; Reading Annotations
Dec 6	Reading Days	
Dec 13	**Final Exam** 4–7 pm	

Course Schedule

The instructor reserves the right to make changes to the syllabus, including project due dates and test dates. These changes will be announced as early as possible.

Session	August 23
Topic	Course Introduction & Microeconomic Theory for Health Economics
Sub-topics	<ul style="list-style-type: none"> • Course Introduction & Overview • What is health economics? • Microeconomic theory
Required Readings	BHT Ch. 1 FGS Ch. 2
Optional/Additional Resources	Khan Academy Videos on Microeconomics: https://www.khanacademy.org/economics-finance-domain/microeconomics
Assignments/Deadlines	None

Session	August 30
Topic	Demand for Health Care
Sub-topics	<ul style="list-style-type: none"> • Price Elasticity • Empirical studies of demand for health care and health goods • Credence and Experience Goods • Statistical Tools
Required Readings	BHT Ch. 2 FGS Ch. 3 Dupas, P. (2014). Getting essential health products to their end users: Subsidize, but how much?. Science (New York, NY), 345(6202), 1279.
Optional/Additional Resources	Web: J-PAL: The Impact of Price and Take-up and Use of Preventative Health Products Cohen, J and Dupas, P. "Free Distribution or Cost-Sharing? Evidence from a Randomized Malaria Prevention Experiment," The Quarterly Journal of Economics, 2010, 125 (1), 1–45. Ashraf N, J Berry, JM Shapiro. Can higher prices stimulate product use? Evidence from a field experiment in Zambia. American Economic Review 2010; 100: 2383-2413.
Assignments/Deadlines	Reading Annotations

Session	September 6
Topic	Demand for Health and Socioeconomic Disparities
Sub-topics	<ul style="list-style-type: none"> • Health Capital • The Grossman Model • Socio-economic Disparities
Required Readings	<p>BHT Ch 3 & 4</p> <p>Deaton A. 2002. "Policy implications of the gradient of health and wealth." <i>Health Affairs</i> 21(2):13–30.</p>
Optional/Additional Resources	<p>Grossman, Michael. 1972. On the Concept of Health Capital and the Demand for Health. <i>Journal of Political Economy</i> 80 (2): 223–255.</p> <p>Heckman, James J. 2007. The economics, technology, and neuroscience of human capability formation. <i>Proceedings of the National Academy of Sciences, USA</i>. 104(33):13250-5. Epub 2007 Aug 8.</p> <p>Case, Anne, Darren Lubotsky, and Christina Paxson. 2002. Economic Status and Health in Childhood: The Origins of the Gradient. <i>American Economic Review</i>. 92(5): 1308-34.</p>
Assignments/Deadlines	Problem Set 1; Reading Annotations

Session	September 13 September 20
Topic	Supply: Physicians
Sub-topics	<ul style="list-style-type: none"> • Labor Market for Physicians • Physician Agency
Required Readings	<p>BHT Ch. 5</p> <p>Das, J., Hammer, J., 2014. Quality of Primary Care in Low-Income Countries: Facts and Economics. <i>Annual Review of Economics</i> 6, 525–553.</p>
Optional/Additional Resources	<p>Reinhardt, U.E., 1999. The Economist’s Model of Physician Behavior. <i>JAMA</i> 281, 462–465. https://doi.org/10.1001/jama.281.5.462</p> <p>Uwe Dulleck and Rudolf Kerschbamer, “On doctors, Mechanics, and Computer Specialists: The Economics of Credence Goods,” <i>Journal of Economic Literature</i>, Vol. 44 (1), March 2006, pp.5-42.</p> <p>Clemens J, Gottlieb JD. Do physicians' financial incentives affect medical treatment and patient health? <i>American Economic Review</i> 2014; 104(4):1320-49.</p> <p>Miller, G. and K Singer-Babiarz. (2013). “Pay for Performance Incentives in Middle-and Low-Income Country Health Programs.” <i>Encyclopedia of Health Economics</i>, Elsevier Press.</p>
Assignments/Deadlines	Reading Annotations

Session	September 20-September 27
Topic	Supply: Hospitals
Sub-topics	<ul style="list-style-type: none"> • The Hospital Industry • Competition • Non-profits • Cost-shifting
Required Readings	<p>BHT Ch 6</p> <p>White, C., 2013. Contrary To Cost-Shift Theory, Lower Medicare Hospital Payment Rates For Inpatient Care Lead To Lower Private Payment Rates. <i>Health Affairs</i> 32, 935–943.</p>
Optional/Additional Resources	<p>Propper, C., Leckie, G., 2011. Increasing Competition Between Providers in Health Care Markets: The Economic Evidence. <i>The Oxford Handbook of Health Economics</i>.</p>
Assignments/Deadlines	Reading Annotations

Session	September 27 October 4
Topic	Health Insurance I
Sub-topics	<ul style="list-style-type: none"> • Demand for Health Insurance • Expected Utility • Adverse Selection
Required Readings	BHT Ch 7-10
Optional/Additional Resources	<p>Akerlof, George. "The Market for Lemons," <i>Quarterly Journal of Economics</i>, 84, August 1970: 488-500.</p> <p>Michael Rothschild and Joseph Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," <i>Quarterly Journal of Economics</i>, 90 (4), November 1976, pp. 630-649.</p>
Assignments/Deadlines	Problem Set 2; Reading Annotations

Session	October 4–October 11
Topic	Health Insurance II
Sub-topics	<ul style="list-style-type: none"> • Moral Hazard • Cost-sharing • Managed Care
Required Readings	BHT: Ch 11
Optional/Additional Resources	<p>Miller, G., Pinto, D., Vera-Hernández, M., 2013. Risk Protection, Service Use, and Health Outcomes under Colombia's Health Insurance Program for the Poor. <i>American Economic Journal: Applied Economics</i> 5, 61–91. https://doi.org/10.1257/app.5.4.61</p> <p>Manning WG, JP Newhouse, N Duan, et al. Health insurance and the demand for medical care – evidence from a randomized experiment. <i>American Economic Review</i> 1987; 77(3):251–77.</p> <p>Finkelstein A, S Taubman, B Wright, et al. The Oregon health insurance experiment: evidence from the first year. <i>Quarterly Journal of Economics</i> 2012; 127 (3).</p>
Assignments/Deadlines	Reading Annotations-None

Session	October 25 November 1
Topic	Health Innovation
Sub-topics	<ul style="list-style-type: none"> • Economics of Innovation • Pharmaceuticals • Technology and the Price of Health Care
Required Readings	BHT Ch. 12-14
Optional/Additional Resources	<p>Kremer, Michael, "Pharmaceuticals and the Developing World," <i>Journal of Economic Perspectives</i>, 16(4): 67–90, 2002.</p> <p>Cutler and McClellan (2001) "Is Technological Change in Medicine Worth It?" <i>Health Affairs</i>, 20(5):11-29.</p> <p>Fisher, Elliot, Jonathan Skinner and Douglas Staiger, "Is Technological Change in Medicine Always Worth It? The Case of Acute Myocardial Infarction," <i>Health Affairs</i>, Web Exclusive, February 7, 2006.</p>
Assignments/Deadlines	None

Session	November 1 November 8
Topic	Health Policy and International Health Systems
Sub-topics	<ul style="list-style-type: none"> • Arrow's Impossibility Theorem • The Health Policy Trilemma • The Beveridge Model • The Bismark Model
Required Readings	BHT Ch 15-17
Optional/Additional Resources	Cutler DM, Ly DP. The (paper)work of medicine: understanding international medical costs. <i>Journal of Economic Perspectives</i> 2011; 25:3-25.
Assignments/Deadlines	Problem Set 3

Session	November 8–November 15
Topic	Externalities and Policy Responses
Sub-topics	<ul style="list-style-type: none"> • Externalities • Pigouvian Subsidies and Taxes • The Coase Theorem • Economics of Obesity
Required Readings	<p>BHT Ch 20, 21</p> <p>Bhattacharya, J., Sood, N., 2011. Who Pays for Obesity? <i>Journal of Economic Perspectives</i> 25, 139–158. https://doi.org/10.1257/jep.25.1.139</p>
Optional/Additional Resources	<p>Miguel, Edward, and Michael Kremer (2004). “Worms: Identifying Impacts on Education and Health the Presence of Treatment Externalities”, <i>Econometrica</i>, 72(1), 159-217.</p> <p>Gruber JH, Mullainathan S. Do cigarette taxes make smokers happier? <i>Advances in Economic Analysis & Policy</i> 2005; 5(1).</p>
Assignments/Deadlines	Reading Annotations

Session	November 15–November 29
Topic	Behavioral Economics
Learning Objectives	<ul style="list-style-type: none"> • Prospect Theory • Time Inconsistency • Models of addiction • Incentives & Nudges for Healthy Behaviors
Required Readings	<p>BHT 23 & 24</p> <p>Giné X, Karlan D, Zinman J. Put your money where your butt is: a commitment contract for smoking cessation. <i>Quarterly Journal of Economics</i> 2010; 2(4): 213-235.</p>
Optional/Additional Resources	Becker, Garry S. and Murphy Kevin M., “A Theory of Rational Addiction,” <i>Journal of Political Economy</i> , 1988; 96(4):675-700.
Assignments/Deadlines	Problem Set 4 Due; Reading Annotations