Course syllabus

INTRODUCTION TO BEHAVIORAL ECONOMICS
Matej Lorko

Course Content

The course examines how psychological insights and experimental methods may be brought to bear on the understanding of economic phenomena in individual decision-making, strategic interactions, and markets. It concentrates on the descriptive side of economic decision-making, e.g., what decisions do people make, what biases do they suffer from, what alternative motivations drive their behavior. Lectures cover influential theoretical developments and experimental results in the field of behavioural economics. Topics explored include how judgments and decisions under certainty, risk and uncertainty are being done; what is the influence of pecuniary and non-pecuniary incentives; how emotions, social norms, and concerns for fairness affect people's decision making; in what types of environment do people behave altruistically and in what types selfishly; how to elicit voluntary cooperation and increase coordination; how to increase trust and trustworthiness in situations involving moral hazard; how do psychological phenomena affect investors; and how the insights can inform the policymakers in their mission of increasing the social welfare.

Course schedule

Session 1: Behavioral vs. Neoclassical Economics
Session 2: Heuristics and Judgments
Session 3: Decisions
Session 4: Strategic Interactions
Session 5: Laboratory labor
Session 6: Laboratory finance
Session 7: Welfare and policy
Session 8: Final exam

Learning Outcomes

1. Learn the main theoretical concepts of behavorial economics.
2. Understand the experimental research methodology in economics.
3. Evaluate a wide array of empirical findings on behavioral phenomena.
4. Apply behavioral economics insights to formulate well-informed, responsible, and sustainable decisions and strategies.
5. Critically reflect on how changes in monetary and non-monetary incentives interact and how the resulting economic environment affects decisions.

Assessment methods

The final grade will take into account:
- Final exam (max. 50 points)
- Individual assignment (max. 30 points) and its presentation (max. 10 points)
- Extra points for classroom experiments, incentivized quizzes, incentivized individual and strategic decisions (expected 15 points per student on average)

Grading

A: 90 points and more
B: 80-89 points
C: 70-79 points
D: 60-69 points
E: 50-59 points
F: less than 50 points

Attendance requirements
- Students are expected to attend at least 6 out of 7 sessions and the final exam session.

Course materials
- https://lorko.sk/lectures/

Suggested reading

Main
- Cartwright, E. (2018). *Behavioral economics*. Routledge.

Other
- Angner, E. (2012). *A course in behavioral economics*. Macmillan International Higher Education.
- Altman, M. (2015). *Handbook of contemporary behavioral economics: foundations and developments*. Routledge.
- Altman, M. (Ed.). (2015). *Real-World Decision Making: An Encyclopedia of Behavioral Economics: An Encyclopedia of Behavioral Economics*. ABC-CLIO.
- Camerer, C. F. (2011). *Behavioral game theory: Experiments in strategic interaction*. Princeton University Press.
- Charness, G., & Kuhn, P. (2011). Lab labor: What can labor economists learn from the lab?. In *Handbook of labor economics* (Vol. 4, pp. 229-330). Elsevier.
- Kahneman, D. (2011). *Thinking, fast and slow*. Macmillan.
- Smith, V. L. (2007). *Rationality in economics: Constructivist and ecological forms*. Cambridge University Press.
- Sunstein, C. R. (2020). *Behavioral science and public policy*. Cambridge University Press.
- Thaler, R. H., & Sunstein, C. R. (2009). *Nudge: Improving decisions about health, wealth, and happiness*. Penguin.