

UNIVERSITY OF ECONOMICS IN BRATISLAVA
Faculty of National Economy
Department of Finance

COURSE SYLLABUS

Course title: **Introduction to Behavioral/Experimental Economics**
ECTS credits: 6
Course period: Master's degree, year 1
Term: spring

Course teacher: Matej Lorko
Email: matej.lorko@euba.sk
Office Hours: Mondays, 16:00 – 16:45, Thursdays 16:45 – 17:30

Course Description

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., the decisions people make, the biases they suffer from, and the alternative motivations that drive their behavior. Lectures cover influential theoretical developments and experimental results in the field of behavioural economics. Topics explored include:

- how judgments and decisions are made under certainty, risk and uncertainty
- the influence of pecuniary and non-pecuniary incentives
- how emotions, social norms, and concerns for fairness affect people's decision making
- the types of environment in which people behave altruistically or selfishly,
- how to elicit voluntary cooperation and increase coordination
- how to increase trust and trustworthiness in situations involving moral hazard
- how psychological phenomena affect investors.

We also explore how these insights from behavioural economics can inform policymakers in their mission to increase social welfare. Seminars include incentivized quizzes and experiments and cover the process of designing a clean laboratory or field experiment.

Learning Objectives

1. Learn the main theoretical concepts of behavioral economics.
2. Understand 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.

Schedule

Class Meeting Times:

Lecture: Thursdays, 13:30

Seminars: Tuesdays 15:15

Lectures

- 1: Introduction to behavioral economics (Cartwright, 2018)
- 2: Intuition and decision-making (Kahneman, 2011)
- 3: Heuristics and biases (Kahneman, 2011)
- 4: Decision-making under certainty (Cartwright, 2018)
- 5: Decision-making under uncertainty (Cartwright, 2018)
- 6: Analytical game theory (Camerer, 2011)
- 7: Strategic interactions (Camerer, 2011)
- 8: Behavioral game theory (Camerer, 2011)
- 9: Behavioral labor economics (Charness & Kuhn, 2011)
- 10: Behavioral finance (Cartwright, 2018)
- 11: Behavioral welfare economics (Sunstein, 2020)

Seminars

Seminars will open with an incentivized quiz related to the week's lecture delivered through Mentimeter. Classroom experiment and discussion will follow. Later in the semester we will have student presentations.

Grading

The final grade will take into account:

- Final exam – multiple choice (max. 50 points)
- Individual assignment – short essay on self-selected phenomena studied by behavioral economics and its implications for individuals, businesses and policymakers (max. 20 points)
- Presentation of the individual assignment (max. 10 points)
- Points for classroom experiments, incentivized quizzes, incentivized individual and strategic decisions (expected 20 points per student on average)

A: 90 points and above

B: 80-89 points

C: 70-79 points

D: 60-69 points

E: 50-59 points

F: less than 50 points

Course materials

<https://lorko.sk/lectures/>

Suggested reading

Main

- Cartwright, E. (2018). Behavioral economics. Routledge.
- 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.
- Sunstein, C. R. (2020). Behavioral science and public policy. Cambridge University Press.
- Weimann, J., & Brosig-Koch, J. (2019). Methods in Experimental Economics. Springer International Publishing.

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.
- Jacquemet, N., & l'Haridon, O. (2018). Experimental Economics. Cambridge University Press.
- Smith, V. L. (2007). Rationality in economics: Constructivist and ecological forms. Cambridge University Press.
- Thaler, R. H., & Sunstein, C. R. (2009). Nudge: Improving decisions about health, wealth, and happiness. Penguin.