

COURSE SYLLABUS

Course title: **Behavioral Economics (Introduction to experimental methods)**
ECTS credits: 6
Course period: Bachelor's Degree, Year 3
Term: spring

Lectures: Matej Lorko, matej.lorko@euba.sk
Seminars: Tomáš Malinovský, tomas.malinovsky@euba.sk
Materials: www.lorko.sk/lectures

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
- how insights from behavioural economics can inform policymakers in their mission to increase social welfare.

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.

Schedule

Lectures: Mondays, 17:00
Seminars: Wednesdays, 17:00

Lectures

- 1: Introduction to behavioral economics (Cartwright, 2018)
- 2: Judgment (Kahneman, 2011)
- 3: Decisions (Cartwright, 2018)
- 4: Bias (Kahneman, 2011)
- 5: Noise (Kahneman, 2021)
- 6: Strategic interactions (Camerer, 2011)
- 7: Analytical game theory (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 consist of activities to widen and deepen knowledges from lectures. Some seminars will include classroom experiments. In weeks 4 and 5, students will be presenting experimental designs for their term papers, and in weeks 9 and 10 students will be presenting results of those experiments.

Grading

The final grade will take into account:

- Final exam – multiple choice (max. 50 points)
- Term paper (in groups of 2 or 3) – replication of selected behavioral experiment (max. 15 points)
- Presentation of experimental design (max. 5 points)
- Presentation of experimental results (max. 5 points)
- Points for classroom experiments, incentivized quizzes, incentivized individual and strategic decisions (expected 15 points on average from lectures and another 10 points on average from seminars)

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

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.
- Kahneman, D., Sibony, O., & Sunstein, C. R. (2021). Noise: a flaw in human judgment. Hachette UK.
- Sunstein, C. R. (2020). Behavioral science and public policy. Cambridge University Press.

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.