

# Behavioural Economics

VO 2 -432120 & SE 2 -432121

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## Lectures and Seminars:

Tuesday, 3.00pm-5.45pm: SR 14, SOWI Building.

Wednesday, 3.00pm-5.45pm: SR 14 and SR 9, SOWI Building.

SR 14: 05/03; 06/03; 12/03; 19/03; 09/04; 10/04; 16/04; 23/04; 24/04; 30/04;  
07/05; 08/05; 14/05; 15/05; 21/05; 22/05; 28/05; 29/05.

SR 9: 13/03; 20/03; 17/04.

Rudolf Kerschbamer's part of the course will take place on 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> of June in SR 13 from 11.00am-2.45pm, each day.

## Reading List

There is no set text book for the course. Readings will consist mainly of papers. These will be uploaded to the course website, on Olat. Two not unreasonable books are:

*Angner, E., (2012), "A Course in Behavioral Economics". Palgrave Macmillan.*

*Cartwright, E., (2011), "Behavioral Economics". Routledge.*

The Angner book is quite short, not very technical, more an undergraduate text, and contains almost no reference to the empirical literature. It is, however, well written and would be good background reading for the intuition behind many of the topics. The Cartwright book is more comprehensive, covers a lot of the experimental literature, but is not so well written. A copy of each is on a short loan shelf for the course, in the library.

## Assessment:

You will be assessed by a mid-term exam (sometime in April), a final exam (sometime in June) and homework assignments set for the seminar. To be allowed to sit the final exam,

you must receive a mark of 4 or better for the mid term exam and the homework assignments. The assignments are to be handed in at the beginning of the seminar. You are required to hand in at least 3 of them.

Your final mark is a weighted average of your performance in these three areas, subject to the following weights: homework assignments (10%), mid term exam (30%), final exam (60%).

### **Course Outline:**

This course will provide an introduction to some of the major findings, methods and theories in Behavioural Economics. This is a diverse field that uses insights from psychology and results taken from experimental economics in order to try and create better theories of human decision-making.

For an introduction to some of the themes that we'll cover see:

*Camerer, C., (1999), "Behavioral Economics: Reunifying Psychology and Economics". PNAS, 96, 10575-10577.*

Available to download on the course website.

Course website: <http://lms.uibk.ac.at/olat/url/RepositoryEntry/2386133002>

### **Course Schedule: (tentative)**

- i. Experienced Utility: Easterlin paradox; decision vs. experience; economic experiments.
- ii. Positional Goods: theory and evidence.
- iii. Choice Under Certainty: framing; expansion/contraction consistency; endowment effect, loss aversion.
- iv. Choice Under Uncertainty; Expected Utility; probability weights; prospect theory; Rabin calibration theorem
- v. Intertemporal Choice: exponential discounting; present bias and quasi-hyperbolic discounting.
- vi. Interdependent Preferences (empirical): distributional games; warm glow; reciprocity.
- vii. Interdependent Preferences (theoretical) (RK): distributional preferences; reciprocal/psychological game theory.