

# Behavioral Economics (BSc)

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## Lecturer

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## Course objectives

The objective is to describe some key concepts and findings from behavioural economics, on economic decision makers' motivation, their social preferences, the way they frame and make decisions, and their fairness perceptions.

## Course content

The following is a provisional schedule. The exact content and the sequence in which the content will be covered can change as we progress.

The course first describes the various motivations (self-interest, reciprocity, altruism, and competitiveness) that have been found to be important in a variety of economic situations. We then consider extrinsic and intrinsic motivation, how they interact, as well as the importance of respect and esteem in economic situations, such as the work place. We then describe a model (prospect theory) of how people's decisions depend on reference points, and the differential treatment of gains and losses, and give various economic examples. After that we describe models and theories of fairness in economics.

## Prerequisites

A course on introductory economics. All the concepts that are used in the course will be defined, explained, and discussed.

## Instructional methods

Lectures, class room experiments, analysis and discussion of data from experiments, and general discussion of the covered material as we move ahead.

## Reading list

*Required:*

<https://www.nytimes.com/2017/10/09/business/nobel-economics-richard-thaler.html>

New Economics Foundation (2005): Behavioural Economics. Available at:

[http://www.neweconomics.org/sites/neweconomics.org/files/Behavioural\\_Economics\\_1.pdf](http://www.neweconomics.org/sites/neweconomics.org/files/Behavioural_Economics_1.pdf)

Camerer, C., Babcock, L., and Loewenstein, G. (1997): "Labor Supply of New York City Cabdrivers: One Day at a Time", *Quarterly Journal of Economics*, 112 (2), p. 407-41.

Fehr, E. and Gaechter, S. (2000): "Fairness and Retaliation: The Economics of Reciprocity", *The Journal of Economic Perspectives*, 14 (8), p. 159-181.

*Optional:*

Andreoni, J. (2001): "The Economics of Philanthropy", in International Encyclopedia of Social and Behavioral Sciences, Smeltser, N. and Baltes, P. (eds), p. 11369-11376. Elsevier: Oxford.

Bernartzi, S. and Thaler, R. (2004): "Save more tomorrow: Using behavioural economics to increase employee saving", Journal of Political Economy, 112 (1), 164-187.

DellaVigna, S. and Malmendier, U. (2006): "Paying not to go to the Gym", American Economic Review, 96 (3), p. 694-719.

Gneezy, U. and Rustichini, A. (2000): "A Fine is a Price", Journal of Legal Studies, vol. XXIX, p. 1-17.

Kahneman, D. and Tversky, A. (1979): "Prospect theory: An analysis of decisions under risk", Econometrica, 47, 313-327.

Kahneman, D. and Tversky, A. (1981): "The Framing of Decisions and the Psychology of Choice", Science, 211, p. 453-458.

Kahneman, D. and Tversky, A. (eds.) (2000): Choices, values and frames. Cambridge University Press.

Thaler and Sunstein (2008): Nudge: Improving Decisions about Health, Wealth, and Happiness, Yale University Press.

**Time schedule**

6 x 45 minutes teaching per day.

*Daily schedule:*

Morning: Lecture from 08.30 to 10.00, break from 10.00 to 10.15, and another lecture 10.15-11.45.

Lunch break: 12.00-13.00.

Afternoon: Lecture from 13.00 to 14.30.

**Assessment**

A written two-hour exam. There will be five questions, and two must be answered.