Econ 0040: Behavioural Economics

# Lecturer information

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# What will you learn about?

The purpose of this course is to provide students an overview of research in Behavioural Economics, a field of economics that draws on knowledge in psychology to capture important aspects of human behaviour and social interactions that standard economic models cannot explain.

The topics we will cover include: Heuristics and Biases, Decision Making under Uncertainty, Prospect Theory, Reference Dependence, Intertemporal Choice, Social Preferences, Bounded Rationality, Nudge as well as Heterogeneity and Malleability of Preferences. Throughout this course, we will link theory to practice and discuss empirical applications in areas and topics such as consumer choice, saving behaviour, procrastination, education, labour supply, finance and policy making.

# How will you learn?

Each Monday students usually get access to the core materials for the week as well as the tasks. In addition, both your lecturer and your teaching assistant will have regular student support and feedback hours where you can drop in to discuss any issues around this module.

There will be weekly lectures and tutorial sessions.

# Is this course right for you?

Students are expected to have a good background in Microeconomics and Econometrics. Microeconomics is a prerequisite for this class. Additionally, Quantitative Economics and Econometrics, and Game Theory are recommended.

# What will you know (better) by the end of the course?

Drawing on real-world examples, the students will be able to understand how Behavioural Economics builds on traditional economic models and psychology. They will be able to demonstrate knowledge of some of the main theoretical and empirical findings, and apply the main concepts from this field to a variety of contexts.

# What have students thought of the course in the past?

Students liked seeing how behavioural economics was used to generate better theoretical insights in economics and reading about real-world applications.

# Assessment

The overall mark in this module comprises the following assessments:

* 30% Written assignment convertible into a blogpost on Behavioural Economics (usually 1250-2000 words)
* 70% exam with usually two compulsory questions and a choice of one out of three additional questions.

# Readings

***Please note that the details of readings in this syllabus may be updated at various points during the term.***

We will not follow a particular textbook; however, the following books are recommendable for an overview and/or those who are seriously interested in behavioural economics:

* Wilkinson, Nick, and Matthias Klaes. *An introduction to behavioral economics*. Palgrave Macmillan, 2012.
* Camerer, Colin F., George Loewenstein, and Matthew Rabin, eds. *Advances in Behavioral Economics*. Princeton University Press, 2011.
* Camerer, Colin F., *Behavioral game theory: Experiments in strategic interaction*. Princeton University Press, 2003.

The relevant articles per topic are listed below. The journal articles are all available through the UCl Library web-site. Each week you will receive guidance on which readings/videos etc (not all listed below) to go through and which tasks to complete.

## Topic 1: An Introduction to Behavioural Economics

* Kahneman, Daniel. "Maps of bounded rationality: Psychology for behavioral economics." *The American economic review* 93.5 (2003): 1449-1475.
* Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler. "Labor supply of New York City cabdrivers: One day at a time." *The Quarterly Journal of Economics* 112, no. 2 (1997): 407-441.

## Topic 2: Decision Making Under Risk and Uncertainty

* Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "Anomalies: The endowment effect, loss aversion, and status quo bias." *The journal of economic perspectives* 5.1 (1991): 193-206.
* De Martino, Benedetto, Dharshan Kumaran, Ben Seymour, and Raymond J. Dolan. "Frames, biases, and rational decision-making in the human brain." *Science* 313, no. 5787 (2006): 684-687.

## Topic 3: Reference Dependence

* Marzilli Ericson, Keith M., and Andreas Fuster. "Expectations as endowments: Evidence on reference- dependent preferences from exchange and valuation experiments." *The Quarterly Journal of Economics* 126, no. 4 (2011): 1879-1907. (INCLUDING APPENDIX)