

## Behavioural Economics

Module		Behavioral Economics					
Module Code							
Module Coordinator		Ebert, Sebastian					
Last Update		May 10, 2017					
Target Group		Programme(s)		Bachelor			
		Term					
		Compulsory/Elective Module		Elective			
		Module Duration		1 Semester			
		Credits					
		Frequency					
		Language of Instruction		English			
Workload:	150 h	Contact hours:	44 h	Independent Learning:	40	Assignments:	66
Prerequisites		The course is intended as a first course in behavioral economic. Knowledge of classical finance theory and economics, in particular microeconomics, is required (about 1.5 years of Bachelor studies in economics or a related program).					
Usability in other Modules/Programmes		This course presents a psychologically more realistic approach to economics than is offered by much of classical economic theory. Behavioral economics assumes that some individuals are less than fully rational (are not a "homo economics"), and argues that many important economic phenomena are understood much better this way. Students will develop a broader, more informed, and more critical perspective on most other coursework in finance and economics.					
Intended Learning Outcomes		<p><i>Knowledge:</i> On successful completion of this module, students will have a thorough comprehension of the fundamental ideas and approaches of behavioral economics, with a special focus on the sub-field of behavioral finance. They can:</p> <ul style="list-style-type: none"> <li>- Explain the main concepts and assumptions that behavioral economics and finance rests on</li> <li>- Explain major insights that were achieved by employing concepts from behavioral economics</li> </ul> <p><i>Skills:</i> On successful completion of this module, students will have the proven ability to apply advanced knowledge that governs actual behavior in economic situations. They can analyze the application of behavioral concepts in different real-world settings that may involve, among others</p> <ul style="list-style-type: none"> <li>- consumer purchasing decisions</li> <li>- risk taking</li> <li>- investment behavior</li> </ul> <p><i>Competences:</i> On successful completion of this module, students can take responsibility to transfer concepts from behavioral economics to make better decisions for themselves and for others. The understanding and awareness of pitfalls such as overconfidence, overextrapolation, loss aversion, skewness preference, reference-dependence, narrow framing, myopia, or time-inconsistency makes them more competent in making and</p>					

	assessing investment decisions and many other intertemporal decisions that must be taken under risk and uncertainty.			
Module Structure:	Class sessions will include lectures (including interactive discussions and some exercises) as well as presentations by students. The final grade will be determined based on the outcomes of a presentation (50% of the final grade), a written report (20% of the grade), and a short exam (30% of the grade). The presentation is based on one or more journal articles written on a classic or recent topic in behavioural economics. Depending on the number of students participating in the course, presentations and the report will be done in groups. More detailed information will be given in the syllabus.			
Module Overview	This course gives an overview of the established and yet growing field of behavioural economics and behavioural finance in particular. Behavioral economics posits that many financial and other economic phenomena may be better understood assuming that some individuals are less than fully rational. More generally, behavioural economics aims for psychologically more realistic explanations of economic phenomena. We touch/ cover topics such as: the foundations of behavioral economics in social and cognitive psychology (group, preference, and belief biases), decision making under uncertainty, time preferences and self-control, experimental economics, fairness, and selected topics in behavioral finance.			
Forms of Teaching Methods and Support	Teaching in this module will include traditional lectures and some exercises. Students need to be active and well-prepared, work in teams, and contribute regularly to in-class discussions.			
Type of Assessment in the Module and Performance Points:	Type of examination	Duration or length	Performance Points	Due date or date of exam
	Presentation	60 minutes	60	During a lecture
	Written Report	60 minutes	20	End of semester
	Short Exam		40	End of semester
Recommended Literature	<p>Aronson, E., T. Wilson, and R. Akert (2005): <i>Social Psychology</i>, Prentice Hall.</p> <p>Barberis, N. C. (2013a): "Psychology and the Financial Crisis 2007-2008," in <i>Financial Innovation: Too Much or Too Little?</i>, ed. by M. Haliassos, 15–28.</p> <p>Barberis, N. C. (2013b): "The Psychology of Tail Events: Progress and Challenges," <i>American Economic Review Papers and Proceedings</i>, 103, 611–616.</p> <p>Barberis, N. C. (2013c): "Thirty Years of Prospect Theory in Economics: A Review and Assessment," <i>Journal of Economic Perspectives</i>, 27, 173–196.</p> <p>Barberis, N. C. and R. H. Thaler (2003): "A Survey of Behavioral Finance," in <i>Handbook of the Economics of Finance</i>, ed. by G. Constantinides, M. Harris, and R. Stulz, 1052–1121.</p> <p>Cartwright, E. (2014): <i>Behavioral Economics</i>, Routledge, 2nd edition.</p> <p>Dhami, S. (2016): <i>The Foundations of Behavioral Economic Analysis</i>, Oxford University Press.</p> <p>Kahneman D. (2011): <i>Thinking, Fast and Slow</i>, Farrar, Straus and Giroux.</p> <p>Thaler, R. and C. Sunstein (2008): <i>Nudge</i>, Yale University Press.</p>			