

UNIVERSITY OF ECONOMICS - VARNA
FACULTY OF FINANCE AND ACCOUNTING
DEPARTMENT OF GENERAL ECONOMIC THEORY

Adopted by the FC (record №/ date): №2/06.03.2020 г.

Adopted by the DC (record №/ date): №7/18.02.2020 г.

ACCEPTED BY:

Dean:

(Assoc. Prof. Hr. Blagoycheva, PhD)

SYLLABUS

SUBJECT: “BEHAVIORAL ECONOMICS”;

DEGREE PROGRAMME: For all programs taught in English; BACHELOR’S DEGREE

YEAR OF STUDY: 2; SEMESTER: 4;

TOTAL STUDENT WORKLOAD: 180 hours; incl. curricular 60 hours

CREDITS: 6

DISTRIBUTION OF WORKLOAD ACCORDING TO THE CURRICULUM

<i>TYPE OF STUDY HOUR</i>	WORKLOAD, hours	TEACHING HOURS PER WEEK, hours
CURRICULAR:		
incl.		
• LECTURES	30	2
• SEMINARS / LAB. EXERCISES	30	2
EXTRACURRICULAR	120	-

Prepared by:

1.
(Assoc. Prof. Kaloyan Kolev, PhD)

2.
(Chief Assist. Prof. Alexander Todorov, PhD)

Head of department:
of General Economic Theory (Assoc. Prof. Hristo Mavrov, PhD)

I. ANNOTATION

This course will provide students with a clear introduction to the principles, methods and applications of Behavioral Economics. The focus of the course is on the understanding of the principles behind the behavioral approach in addressing economics problems and on the development of analytical tools, and their application to a variety of economic situations.

The main areas include: rethinking the value and happiness, making choices under risk and uncertainty, mental accounting, intertemporal choices, strategic behavior, nudging and behavioral interventions. For each Theme students will be introduced to: the evidence that indicates that the standard economic model is missing some important behavior; the models that have been developed to capture these behaviors; applications of these models to (for example) finance, labor, investment, sales etc.

The course is based on new theory and experiments by examining actual economics related human behavior and a substantial amount of student participation and teamwork. The analytical skills of the students will be developed through in-class and field experiments on choices made by people that contradict the strictly rational models. An integral part of the course will be a research proposal that students must complete by the end of the course, outlining a novel piece of research that they would be interested in doing.

Aims and objectives:

- *to develop a contemporary understanding of the economic behavior of people*
- *to develop students' ability to find alternative solutions to life's problems by examining many contemporary issues through the lens of an economic way of thinking*
- *to develop an understanding of how contemporary economists explore current social issues*

Learning outcomes:

Upon successful completion of the course, students should:

- *to understand the complexity, principles and nuances of the economic behavior of people;*
- *to know basic behavioral approaches to market analysis, negotiation, social problems, etc.;*
- *demonstrate psychological realism about the economic behavior of people.*

II. THEMATIC CONTENT

No.	TITLE OF UNIT AND SUBTHEMES	NUMBER OF HOURS		
		L	S	L.E.
Theme 1. WHAT IS BEHAVIORAL ECONOMICS AND WHY DO WE NEED IT?		2	2	
1.1.	“Homo economicus” vs humans.			
1.2.	Methods, objectives, scope and structure of Behavioral economics.			
1.3.	The origins, history and controversies of Behavioral economics. Relationships with other disciplines.			
Theme 2. VALUE, UTILITY AND HAPPINESS.		3	3	
2.1.	Attitudes, values, preferences and choices.			
2.2.	Evolutionary biology of utility.			
2.3.	Types of utility.			
2.4.	Utility biases and happiness.			
Theme 3. MAKING CHOICES UNDER RISK.		4	4	
3.1.	Synthesis of probability theory and utility.			
3.2.	Risk prone: “Expected value” vs. “expected utility”.			

3.3.	Framing and choice biases.			
3.4.	Reference dependence and risk aversion.			
3.5.	Prospect theory.			
Theme 4. JUDGMENT UNDER UNCERTAINTY: HEURISTICS AND BIASES.		4	4	
4.1.	Affect Biological evolution and dual system of thinking.			
4.2.	heuristics and emotions.			
4.3.	Availability heuristics and irrational fears.			
4.4.	Representativeness heuristic and magical beliefs.			
4.5.	Anchoring and adjustment.			
Theme 5. MENTAL ACCOUNTING.		4	4	
5.1.	Nature and components of mental accounting.			
5.2.	Coding and editing.			
5.3.	Investment fallacies, temptation and gifts.			
Theme 6. TIME PREFERENCES.		4	4	
6.1.	Time discounting and choosing when to act.			
6.2.	The utility of sequences.			
6.3.	Hyperbolic discounting and time inconsistency.			
6.4.	Over debts, addictions, unhealthy life habits and procrastination.			
Theme 7. STRATEGIC INTERACTIONS (BEHAVIORAL GAME THEORY).		4	4	
7.1.	The basics of behavioral games.			
7.2.	Equilibrium in simple and mixed strategies.			
7.3.	Learning from experience.			
7.4.	Dictatorship, cooperation and fairness.			
Theme 8. THINKING SOCIALLY.		3	3	
8.1.	Social preferences.			
8.2.	The influence of social networks on individual decision making.			
8.3.	The role of social norms in individual decision making.			
8.4.	Inequality-aversion, honesty and charity.			
Theme 9. NUDGES, POLICY, AND HAPPINESS.		2	2	
9.1.	Behavioral economics and institution design.			
9.2.	Principles for good choice architecture.			
9.3.	Nudge and behavior change.			
Total:		30	30	

III. FORMS OF CONTROL:

N:	TYPE AND FORM OF CONTROL	Number	extra-curricular, h.
1.	Midterm control		
1.1.	Case studies and experimental data analysis	3	15
1.2.	Midterm test	1	25
1.3.	Conducting and presenting an experiment	1	40
Total midterm control:		5	80
2.	Final term control		
2.1.	Examination (test)	1	40
Total final term control:		1	40
Total for all types of control:		6	120

IV. LITERATURE

REQUIRED (BASIC) LITERATURE:

1. Corr, P., Plagnol, A., Behavioral Economics - The Basics, Taylor and Francis, Routledge, 2018
2. Angner, Erik, A Course in Behavioral Economics (2 ed.), Macmillan Education, UK, 2016
3. Wilkinson, N., Klaes, M., An Introduction to Behavioral Economics (2 ed.), Macmillan Education, New York, 2012

RECOMMENDED (ADDITIONAL) LITERATURE:

1. Kahneman, D., Thinking, Fast and Slow, Farrar, Straus and Giroux, 2013
2. Kahneman, D., Tversky, A., Choices, Values, and Frames (1st ed.), Cambridge University Press, 2000
3. Gilovich, T., Griffin, D. and Kahneman, D., Heuristics and Biases: The Psychology of Intuitive Judgment, Cambridge University Press, 2002
4. Ariely, D., Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions, Harper Perennial, 2010
5. Thaler, R., Sunstein, C., Nudge: Improving Decisions About Health, Wealth, and Happiness, Penguin Books, 2009