

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

Adopted by the FC (record №11/25.04.2024)

Adopted by the DC (record №11/09.04.2024)

ACCEPTED BY:

Dean:

(Assoc. Prof. Daniela Georgieva, PhD)

SYLLABUS

SUBJECT: BEHAVIORAL ECONOMICS

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

YEAR OF STUDY: 2; SEMESTER: 3

TOTAL STUDENT WORKLOAD: 120 hours; incl. curricular 60 hours

CREDITS: 4

DISTRIBUTION OF STUDENT WORKLOAD ACCORDING TO THE CURRICULUM

<i>TYPE OF STUDY HOURS</i>	WORKLOAD, hours	TEACHING HOURS PER WEEK, hours
CURRICULAR: incl. <ul style="list-style-type: none">● LECTURES● SEMINARS / LAB. EXERCISES	30 30	2 2
EXTRACURRICULAR	60	-

Prepared by:

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

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

Head of department
of General Economic Theory:
(Assoc. Prof. Kaloyan Kolev, PhD)

I. ANNOTATION

This course aims to provide students with a comprehensive introduction to the principles, methods, and applications of Behavioral Economics. The primary focus of the course is to enhance students' understanding of the underlying principles behind the behavioral approach in addressing economic problems, as well as to develop their analytical skills and apply them to various economic situations.

*The course covers several **key topics**, including reevaluating the concepts of value and happiness, decision-making under conditions of risk and uncertainty, mental accounting, intertemporal choices, strategic behavior, nudging, and behavioral interventions. Each topic will expose students to evidence that highlights the limitations of the standard economic model in capturing important behaviors, as well as the alternative models that have been developed to address these shortcomings. Furthermore, students will explore the practical applications of these models in areas such as finance, labor, investment, and sales.*

This course is based on new theories and experiments that examine real-world economic behavior. It motivates active student participation and teamwork, allowing students to develop their analytical skills through in-class and field experiments that challenge the assumptions of strictly rational models. Additionally, students will be required to complete a research proposal by the end of the course, outlining a unique research project that aligns with their interests.

*The **aims and objectives** of this course are as follows:*

- *To foster a contemporary understanding of the economic behavior of individuals.*
- *To cultivate students' ability to explore alternative solutions to real-life problems by applying an economic way of thinking.*
- *To develop an understanding of how contemporary economists analyze and address current social issues.*

Upon successful completion of the course, students will be able to:

- *Demonstrate a comprehensive understanding of the complexity and principles of economic behavior.*
- *Apply basic behavioral approaches to analyze markets, negotiate, and address social problems.*
- *Exhibit an awareness of psychological factors that influence economic decision-making.*

*This course develops the following **key competencies** (according to the recommendation of the Council of the European Union from May 22, 2018):*

- *Literacy - the ability to communicate and understand others successfully in an appropriate and constructive manner.*
- *Personal competence - the ability to reflect on one's own essence and behavior, to effectively manage time and information, to engage in constructive dialogue with others;*
- *Cultural awareness and expression - understanding, developing, and expressing one's own ideas and sense of place or role in society.*

II. THEMATIC CONTENT

№	TITLE OF UNIT AND SUBTOPICS	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. VALUES, ATTITUDES, PREFERENCES AND CHOICES.		3	3	
2.1.	Values, attitudes, preferences and choices.			
2.2.	Behavioral approach to utility.			
2.3.	Utility biases (monotony, endowment effect, duration neglect, adaptation)			
2.4.	Choice overload.			
Theme 3. CHOICE 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. CHOICE UNDER UNCERTAINTY: BELIEFS, HEURISTICS, AND CONVICTIONS.		4	4	
4.1.	Biological evolution and dual system of thinking.			
4.2.	Affect heuristics and emotions.			
4.3.	Availability heuristics and irrational fears.			
4.4.	Representativeness heuristic: prejudices, stereotypes, and misconceptions.			
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.	Consequences: investment misconceptions, consumption restrictions, temptations, 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. BEHAVIORAL PATERNALISM - THE POLICY OF "NUDGING".		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:

№	TYPE AND FORM OF CONTROL	Number	Extracurricular, hours
1.	Midterm control		
1.1.	Case studies and experimental data analysis	2	10
1.2.	Midterm test	1	10
1.3.	Conducting and presenting an experiment	1	20
	Total midterm control:	4	40
2.	Final term control		
2.1.	Examination (test)	1	20
	Total final term control:	1	20
	Total for all types of control:	5	60

IV. LITERATURE

REQUIRED (BASIC) LITERATURE:

1. Corr, P., Plagnol, A., Behavioral Economics - The Basics, 2nd ed., Taylor and Francis, Routledge, 2023.
2. Cartwright, E., Behavioral Economics (Routledge Advanced Texts in Economics and Finance) 4th Edition, 2024.
3. Angner, Erik, A Course in Behavioral Economics (2 ed.), Macmillan Education, UK, 2016

RECOMMENDED (ADDITIONAL) LITERATURE:

1. Wilkinson, N., Klaes, M., An Introduction to Behavioral Economics (2 ed.), Macmillan Education, New York, 2012
2. Kahneman, D., Thinking, Fast and Slow, Farrar, Straus and Giroux, 2013
3. Kahneman, D., Tversky, A., Choices, Values, and Frames (1st ed.), Cambridge University Press, 2000
4. Gilovich, T., Griffin, D. and Kahneman, D., Heuristics and Biases: The Psychology of Intuitive Judgment, Cambridge University Press, 2002
5. Ariely, D., Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions, Harper Perennial, 2010
6. Thaler, R., Sunstein, C., Nudge: Improving Decisions About Health, Wealth, and Happiness, Penguin Books, 2009