

PSYb2950 Behavioral Economics: Psychology Meets Economics

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When: Selected Thursdays 4PM-8PM, see below for schedule

Where: Room U23, Faculty of Social Studies

Class admin runs in the IS (Information System is.muni.cz) – you are expected to read and respond (if needed) to emails sent to your MUNI address.

The language of instruction is English.

Both Economics and Psychology share an interest in people's decision making and the forces that shape it. This hands-on course brings both fields together so that we can discuss various approaches to investigating the same questions about human behavior. Topics covered include pro-social preferences (altruism, trust, reciprocity), risk perception, (ir)rationality, cooperation and coordination, fairness and more. Furthermore, the course provides students with grounds to develop their academic writing, presentation skills and ability to express themselves concisely and to the point.

Upon completing the course, the student will:

- Be able to discuss different perspectives on the topics related to Behavioral Economics.
- Have an understanding of the key topics both Psychology and Economics focus on.
- Be able to explain the methodological difference between experiments in Psychology and Economics and outline pros and cons of each approach.
- Be able to explain how experiments can help design markets and public policy.
- Be able to read research studies in Behavioral Economics with confidence.
- Have the knowledge and skills to design an economic experiment.

Each class is partly a lecture, partly a block of student presentations, and partly a block of incentivized interactive activities.

REQUIREMENTS

In this course, students can earn up to 100 000 points. To pass this course, student needs to earn 50 001 points or more.

This course is graded on a binary scale (Pass / Fail), but your points will be reflected should your home university request more detailed feedback on your performance.

There will be four meetings throughout the semester (see schedule in this document). You can miss one meeting without an explanation. If you are unable to make it to two meetings and are still interested in completing the course, provide a doctor's note and talk to the lecturer to find a solution. It is important that you join the last class, if possible.

Students earn points for:

In-class activities (80%)

Mini-lecture (20%)

In-class activities (up to 80 000 points in total)

Every class, there will be activities to give students a first-hand experience of the topics discussed. These include various games (as in "*game theory*", not necessarily derived from "*fun and games*"),

illustrations, and in-class experiments. The experiments and games will be run in environments where students are incentivized to earn points. Points earned in these experiments will be converted into the course's grading points.

In the spirit of experimental economics, the in-class activities are incentivized with points that count towards the final grade. How many points each student earns in an activity depends on their decisions within the game, on the decisions of other participants, and on luck.

In total, a student can collect up to 80 000 points in the in-class activities. In case a student earns more than 80 000 points in the activities, the earnings will be capped at 80 000 points.

Any student who is not comfortable with earning their points through activity participation is welcome to discuss this with the lecturer and will be assigned a research project instead.

Why do we do this: to give students a first-hand experience of how the concepts we discuss work. Real-impact incentives are a key feature of Economic experiments and understanding of such structures is crucial for the development of students' ability to design experiments well and to read research studies with confidence. Also, students experience what is it like to participate in an incentivized experiment from the perspective of the subject. Last but not least, it's a fun way to earn points towards your grade.

Preparing and delivering a mini-lecture (up to 20 000 points in total)

Here, students get the chance to lead the class for 5 minutes.

Second and third session include a 4-minute presentations (mini-lectures) delivered by the students and a short moderated discussion.

The students will select, read and present a research study in Behavioral Economics. The study will be an economics paper (a menu of papers will be announced by the lecturer but students are free to choose their own).

Students will choose the topic according to own preferences and will discuss the suitability of the topic with the lecturer.

PowerPoint presentation is not required, but is welcome if it helps deliver the message. The goal of the presentation is to:

- introduce the topic/research question
- motivate its importance
- briefly outline the methods used
- discuss OWN OPINION (with arguments) about how the study contributes to the theoretical framework (if at all), how it supports future research, and how each study can actually be useful in the business/personal/interpersonal realm.
- be able to respond to questions within the discussion in a manner that demonstrates understanding of the topic and the paper

For mini-lectures, students work and present in groups of three. For the mini-lectures, it is required that you work with someone you do not know from before attending the course.

The list of papers and the classes when they need to be presented will be announced in or before the first lecture.

Ten papers will be announced with the opportunity (and, for some, necessity) to propose your own. **The Mini-Lectures begin with the 3rd** class of the semester.

Good journals to source papers from are: *Experimental Economics, Games and Economic Behavior, Journal of Behavioral and Experimental Economics, Journal of Economic Science Association, Journal of*

Behavioral Economics for Policy, Journal of Economic Behavior and Organization, Journal of Behavioral and Experimental Finance, Management Science, Judgment and Decision Making, ...

Student can earn up to 20 000 points each for the mini-lecture, its preparation, presentation and ability to respond to the lecturer's and other students' questions.

Why do we do this: Students practice a number of skills valuable for their future research and work. They need to search for relevant literature that complements the topic and be able to make a convincing argument for their choice. Students practice presentation skills by preparing and delivering an engaging presentation that synthesizes the essence of the two studies and provides a clear outcome. The final presentation is an opportunity to demonstrate the communication skills so much valued in any workplace.

Summary of the grading scheme:

You can earn up to 100 000 points in the course

To pass, earn 50 001 points or more

You can earn 80 000 points for activity participation (real-time experiments incentivized with points)

You can earn 20 000 points for a mini-lecture (diligent research at home and a 5-minute presentation)

COURSE STRUCTURE

The course is structured into 4 meetings. The meetings are long, 4 hours each, with breaks.

Meeting 1

Introductions, course logistics course expectations management, introduction into building the Psychology-Economics bridge. What is Economics and why is it closer to Psychology than commonly perceived. Introduction to the experimental method in Economics.

What are markets? What is the role of prices?

The best coffee of your life.

Assigning the mini-lecture slots.

Incentivized activities.

Meeting 2

How rational are we and what it actually means?

What is rationality? What are preferences?

Endowment effect.

What is money?

Can you buy happiness?

Nudging.

Time preferences. Procrastination.

Incentivized activities.

Meeting 3

Market bubbles, auctions. What about bitcoin?

Financial crisis of 2008 from a psychological and moral perspective.

Pro-social preferences: trust, reciprocity, altruism, fairness, equality.

How institutions help.

Game theory.

Sharing common resources. Economist's take on environmental problems and how to solve them.

Student mini-lectures.

Incentivized activities.

Meeting 4

Cooperation, coordination, communication.

Deception and lying.

Trust.

Incentivized activities.

Course wrap-up.

Course Schedule

Meeting No.	Date	Time	Location
1	Thu 22/9/2022	16:00-19:40	U 23
2	Thu 29/9/2022	16:00-19:40	U 23
3	Thu 13/10/2022	16:00-19:40	U 23
4	Thu 3/11/2022	16:00-19:40	U 23

Recommended Reading:

KAHNEMAN, Daniel. *Thinking, fast and slow*. 1st ed. New York: Farrar, Straus and Giroux, 2011. 499 s. ISBN 9780374275631.

ARIELY, Dan. *Predictably irrational : the hidden forces that shape our decisions*. Revised and expanded edition. London: Harper, 2009. xxxii, 353. ISBN 9780007256532.

Further:

ANGNER, Erik. *A Course in Behavioral Economics (2nd Edition)*. Red Globe Press, 2016. 336 s. ISBN 978-1-137-51292-5.

BARDSLEY, Nick. *Experimental economics : rethinking the rules*. Princeton: Princeton University Press, 2010. viii, 375. ISBN 9780691124797.

THALER, Richard H. a Cass R. SUNSTEIN. *Nudge : improving decisions about health, wealth, and happiness*. Revised ed. London: Penguin Books, 2009. x, 305. ISBN 9780141040011.

Advances in behavioral economics. Edited by Colin Camerer - George Loewenstein - Matthew Rabin. New York: Russell Sage Foundation, 2004. xxvi, 740. ISBN 0691116822.

Give "the Freakonomics Podcast" a try and look for economics concepts in the TV shows you watch.