

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

ACCEPTED BY:

Rector:

(Prof. Dr. Plamen Iliev)

SYLLABUS

SUBJECT: “BEHAVIORAL ECONOMICS”;

DEGREE PROGRAMME: „Business and management“; BACHELOR’S DEGREE

YEAR OF STUDY: 3; SEMESTER: 5;

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

CREDITS: 6

DISTRIBUTION OF WORKLOAD ACCORDING TO THE CURRICULUM

<i>TYPE OF STUDY HOURSE</i>	WORKLOAD, h.	TEACHING HOURS PER WEEK, h
CURRICULAR:		
incl.		
• LECTURES	30	2
• SEMINARS (lab. exercises)	30	2
EXTRACURRICULAR	120	-

Prepared by:

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

2.
(Chief Assist. Prof. Aleksandar Todorov,

PhD)

Head of department:
„General Economic Theory“ (Prof. Zoya Mladenova, PhD)

I. ANNOTATION

The course aims to provide students with a grounding in the main areas of Behavioral economics, by focusing on behavioral implications of theoretical models and on experimental evidence in economics. The broad objective will be to insert more behavioral realism into economic theory by relaxing traditional assumptions and thus provide students with a better understanding of how agents (consumers, firms, governments etc.) actually make decisions in practice and what factors can sometimes explain seemingly irrational behavior. While this approach is based on the experimental data about human reasoning (provided by cognitive psychology), students will be driven to test experimentally properties and assumptions on human decisions.

The course will expose students to a number of major topics in Behavioral economics and will link theory with empirical applications. The particular topics to be covered include: Reference Dependent Preferences and Loss Aversion, Mental Accounting, Social Preferences, Hyperbolic Discounting, Naiveté and Self-Control, Projection Bias, Heuristics and Biases, Nudging and Framing. For each topic, the focus will be on three points: (i) review of standard economic models and evidence that indicates that such models do not capture some important behavioral aspects or anomalies; (ii) study of the behavioral models that have been developed to capture these aspects; (iii) application of these models to different economic fields, especially with respect to more recent contributions.

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. по ред	TITLE OF UNIT AND SUBTOPICS	NUMBER OF HOURS		
		L	S	L.E.
Topic 1. Nature and methodology of Behavioral economics.		3	3	
1.1	Rationality, irrationality, and rationalization.			
1.2	The origins, history and controversies of Behavioral economics. Relationships with other disciplines.			
1.3	Methods, objectives, scope and structure.			
Topic 2. Values, preferences and choices.		3	3	
2.1	Neoclassical model.			
2.2	The evolutionary biology of utility. Types of utility.			
2.3	Utility biases: endowment effect, contrast (treadmill) effect and			

	adaptation.			
Topic 3. Choice under uncertainty: beliefs, heuristics and biases.		3	3	
3.1	Evolution and dual system of thinking.			
3.2	Representativeness and magical beliefs. Availability and irrational fears.			
3.3	Adjustment and anchoring. Confirmation and overconfidence.			
Topic 4. Decision-making under risk.		3	3	
4.1	Origins and evolution of probability theory. Synthesis of probability theory and utility.			
4.2	Reference dependence and loss aversion.			
4.3	Prospect theory and decisions under risk and uncertainty.			
Topic 5. Mental accounting and framing.		3	3	
5.1	Nature and components of mental accounting.			
5.2	Framing and editing.			
5.3	Investment fallacies, temptation and gifts.			
Topic 6. Intertemporal decision-making in short-run		3	3	
6.1	Choosing when to act.			
6.2	The discounted utility model (DUM).			
6.3	Exponential discounting and discount factor.			
Topic 7. Time inconsistency and self-control in long-run.		3	3	
7.1	Time-inconsistent preferences and hyperbolic discounting.			
7.2	Procrastination, temptation and self-control.			
7.3	The utility of sequences.			
Topic 8. Strategic interactions - behavioral game theory.		3	3	
8.1	Nature of behavioral game theory			
8.2	Simple strategies and Nash equilibrium.			
8.3	Games with bargaining, signaling and learning.			
Topic 9. Social preferences.		3	3	
9.1	The nature of social preferences. Factors affecting social preferences.			
9.2	Selfishness and altruism. Fairness, trust and reciprocity.			
9.3	Policy implications.			
Topic 10. Libertarian paternalism and public policy.		3	3	
10.1	Behavioral economics and institution design.			
10.2	Principles for good choice architecture.			
10.3	Nudge and behavior change.			
Total:		30	30	

III. FORMS OF CONTROL:

No. by row	TYPE AND FORM OF CONTROL	№	extracurricular, h.
1.	Midterm control		
1.1.	Case studies and behavioral experiments	4	40
1.2.	Project	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. Wilkinson, N., Klaes, M., An Introduction to Behavioral Economics (2nd ed.), Macmillan Education, New York, 2012
2. Cartwright, E., Behavioral Economics, Routledge, 2011
3. Just, D., Introduction to Behavioral Economics, Wiley, 2014

RECOMMENDED (ADDITIONAL) LITERATURE:

1. Thaler, R., Misbehaving: The Making of Behavioural Economics, Penguin, 2016
2. Kahneman, D., Thinking, Fast and Slow, Turtleback Books, 2013
3. Thaler, R., Sunstein, C., Nudge: Improving Decisions About Health, Wealth and Happiness, Penguin, 2009
4. Ariely, D., Predictably Irrational: The Hidden Forces That Shape Our Decisions, Harper Collins Publishers, 2009
5. Abdukadirov, Sh. (ed.), Nudge Theory in Action: Behavioral Design in Policy and Markets, Palgrave Advances in Behavioral Economics, Palgrave Macmillan, 2016
6. Kahneman, D., Tversky, A., Choices, Values, and Frames, Cambridge University Press: Cambridge, 2000
7. Kahneman, D., "Maps of bounded rationality: A perspective on intuitive judgment and choice", Nobel Prize Lecture, 2002