Syllabus Behavioral Economics SS2016

Lecturer: Timo Hoffmann

Exercise: Benjamin Buschmann

Course description

The area of "Behavioral Economics" analyzes how agents actually behave and models systematic deviations from the predictions of "standard economic theory". To do this the standard models are extended to accommodate empirical findings. Most of the models we will discuss try to incorporate judgment errors, limited cognitive reasoning or preferences for fair behavior into the analysis. This lecture is concerned with the systematic modeling of human behavior and considers especially the (experimental) tests of these theories. While doing this we will also discuss several elements of proper experimental design as well as the basic features of field experiments.

The course is coarsely divided into three parts. The first part is devoted to behavioral decision theory. We will study models in which standard economic rationality assumptions are combined with psychologically plausible assumptions on behavior. We will mainly focus on choice under uncertainty and probabilistic judgments. In the second part on behavioral game theory we study the strategic interaction of subjects and analyze how predictions change if "boundedly" rational subjects are considered. These studies lead us to part three of the class: theories and experimental evidence of social preferences and some applications of behavioral economics in labor economics.

Tentative outline of topics

1. Decision Theory

    (a) Expected Utility Theory

    (b) Classical Anomalies

    (c) Prospect Theory

    (d) Probability Judgments

2. Behavioral Game Theory

    (a) Game Theory Concepts

    (b) 2 Player Bargaining

    (c) Rationality & Strategic Interaction

3. Social Preferences & Labor Economics

    (a) Evidence of Social Behavior

    (b) Models of Fairness and Reciprocity

    (c) Applications to Labor Economics

Prerequisites

The course is part of the Master program in economics and is open to other master students, e.g. in marketing, management, social economics as well as exchange students. Participants should have a basic knowledge about microeconomics and game theory. In case you are interested in the course, but have some doubts about the prerequisites please contact the lecturer.

Organization & Literature

The course consists of one lecture a week (2 SWS) and an exercise (1 SWS), which will take place about every second week. The lecture takes place every Tuesday from 11:30 - 13:00 in LG 5.152. The first lecture will be on April 12th. There will be no lecture on May 17th. The exercise will be Thursdays from 15:00 to 16:30 in LG 3.154. The tentative dates for the exercises will be announced in the first lecture, but are subject to change. Students are expected to attend lecture and exercise classes regularly. One exercise class will take place in the Laboratory for Experimental Research Nuremberg (LERN).

Slides for the lecture will typically be made available one week ahead on StudOn. The password for the course will be announced in the first lecture. All teaching (class and exercises) is in English. There is no textbook for the class. The relevant literature consists of multiple articles, which will be announced in class.

Grading & Credit points

Grading consists of two homework assignments (10% each) and a final exam (90 minutes) covering the topics discussed in the lectures and exercises at the end of the term (80%). Homework assignments will be given out in class and can be handed in by teams of two students. Both homework assignments will be given out and be due during the term. The exam has to be passed in order to pass the class.

By passing the class Master students receive 5 ECTS points.

Further questions

Feel free to ask further questions regarding the course content or the organizational details. Please send any inquiries to Timo.Hoffmann@fau.de.