

## Content

| Course Code | Course Name          | Semester | Theory | Practice | Lab | Credit | ECTS |
|-------------|----------------------|----------|--------|----------|-----|--------|------|
| ECON423     | Behavioral Economics | 7        | 3      | 0        | 0   | 3      | 6    |

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|------------------------|--|
| Prerequisites          |  |
| Admission Requirements |  |

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Language of Instruction | English                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Course Type             | Elective                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Course Level            | Bachelor Degree                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Objective               | The course aims to drive a perspective beyond classical economic theories to examine the psychological, cognitive, and social factors shaping real-world decisions of individuals and markets, and to understand decision-making processes under certainty, risk, and uncertainty through a behavioral perspective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Content                 | <p>Introduction: Origins and methods of behavioral economics.</p> <p>Chapter I (Choice under Certainty): Preferences, rationality, indifference, utility, opportunity cost, sunk costs, loss aversion, and anchoring and adjustment.</p> <p>Chapter II (Judgement under Risk and Uncertainty): Fundamentals of probability theory, conditional probability, Bayes' rule, and cognitive heuristics/fallacies (gambler's fallacy, base-rate neglect, confirmation bias, availability, overconfidence).</p> <p>Chapter III (Choice under Risk and Uncertainty): Expected value, expected utility, attitudes towards risk, framing effects, mental accounting, and probability weighting.</p> <p>Chapter IV (Intertemporal Choice): Interest rates, exponential and hyperbolic discounting, misprediction and miswanting.</p> <p>Chapter V (Strategic Interaction): Social preferences, intentions, reciprocity, trust, and limited strategic thinking.</p> <p>Chapter VI Behavioral insights in public policies (nudges and ethics).</p> |
| References              | <p>Agner, Erik (2016), A course in Behavioral Economics, Second Edition, Palgrave Macmillan.</p> <p>Thaler, Richard H and Ganser, LJ (2015), Misbehaving : The making of behavioral economics, WW Norton New York.</p> <p>Wilkinson, Nick and Klaes, Matthias (2012), An introduction to behavioral economics, Macmillan International Higher Education.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## Theory Topics

| Week | Weekly Contents                                                                                                                               |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | General Introduction: The origins and methods of behavioral economics                                                                         |
| 2    | Beyond Homo Economicus: Bounded rationality and judgment heuristics                                                                           |
| 3    | Choice under Certainty: Preferences, rationality, and indifference                                                                            |
| 4    | Choice under Certainty: Opportunity costs, sunk costs, and loss aversion                                                                      |
| 5    | Judgment under Risk and Uncertainty: Fundamentals of probability, Bayes' rule, and cognitive fallacies (gambler's fallacy, base-rate neglect) |
| 6    | Judgment under Risk and Uncertainty: Availability heuristics, overconfidence, and framing effects                                             |
| 7    | Mid-term examinations                                                                                                                         |
| 8    | Choice under Risk and Uncertainty: Expected value, expected utility, and attitudes towards risk                                               |
| 9    | Choice under Risk and Uncertainty: Choice anomalies (Allais and Ellsberg paradoxes, probability weighting)                                    |
| 10   | Intertemporal Choice: Interest rates, exponential discounting, and its limitations                                                            |

| Week | Weekly Contents                                                                              |
|------|----------------------------------------------------------------------------------------------|
| 11   | Intertemporal Choice: Hyperbolic discounting, temporal myopia, misprediction, and miswanting |
| 12   | Social Interactions and social preferences (altruism, inequity aversion)                     |
| 13   | Social Interactions: Intentions, reciprocity, trust, and limited strategic thinking          |
| 14   | Behavioral insights in public policies (nudges and ethics)                                   |