

Public Economics Group

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Behavioral Economics (preliminary course announcement)

IMPORTANT: To accommodate the requirements of students from abroad, this course can be studied online this year. There will be no meetings in the classroom and, importantly, no requirement to participate in onsite exams.

Details:

Target group: Students in the Master of Science in Economics and Institutions Program

Lecturer & Tutor: Tim Friehe & Cat Lam Pham

Timing: There will be online material for self-study in ILIAS and live sessions using a video conference software. Q&A sessions are scheduled for December 1 from 12-2 pm and December 3 from 8-10 am.

Grading: Formative coursework: Test via ILIAS about the contents of the lectures and tutorials on December 8 from 12.15-1.15 pm. NOTE: You must register for this test until December 6, 2021.

Examination: Presentation at the end of the term (January 21 and 28 are planned dates). NOTE: You must register for your presentation until January 14, 2022.

Description:

Behavioral Economics is a field of economics that emerged out of a number of empirical and experimental puzzles. It seeks to enrich standard theory with psychological realism. Behavioral Economics thereby may improve the accuracy of the behavioral predictions that economic models deliver. The field is growing rapidly and offers quite diverse topics. This course will content itself with introducing students to some core issues in the field, focusing mostly on the attempts to enrich theoretical modelling.

Contents:

- 1) Introduction
- 2) Reference dependence
- 3) Intertemporal decision-making
- 4) Social preferences
- 5) Behavioral Game Theory
- 6) Behavioral Economics and Welfare

Your presentation:

You provide a very detailed presentation and discussion of a recent research paper on a well-defined topic. We will provide a list of recent interesting papers to you from which you select a paper until December 15 (but you may also propose a paper that you would like to present).

References

Many of the topics discussed during lectures can be found in:

Cartwright, E., 2018. Behavioral Economics. 3rd edition. New York: Routledge.

Other textbooks of interest include:

Angner, E., 2020. A Course in Behavioral Economics. 3rd edition. Palgrave Macmillan.

Dhami, S., 2016. The foundations of behavioral economic analysis. Oxford: Oxford University Press.

Wilkinson, N., and M. Klaes, 2018. An Introduction to Behavioral Economics. 3rd edition. New York: Palgrave Macmillan.

Interesting survey articles include:

Barberis, N.C., 2013. Thirty Years of Prospect Theory in Economics: A Review and Assessment. *Journal of Economic Perspectives* 27, 173-196.

Carlsson, F., and O. Johannson-Stenman, 2012. Behavioral Economics and Environmental Policy. *Annual Review of Resource Economics* 4, 75-99.

Crawford, V.P., Costa-Gomes, M.A., and N. Iriberry, 2013. Structural models of Nonequilibrium Strategic Thinking: Theory, Evidence, and Applications. *Journal of Economic Literature* 51, 5-62.

DellaVigna, S., 2009. Psychology and Economics: Evidence from the Field. *Journal of Economic Literature* 47, 315-372.

Frederick, S., Loewenstein, G., and T. O'Donoghue, 2002. Time Discounting and Time Preference: A Critical Review. *Journal of Economic Literature* 40, 351-401.

Just, D.R., 2014. Introduction to Behavioral Economics. Hoboken: Wiley.

Kőszegi, B., 2014. Behavioral Contract Theory. *Journal of Economic Literature* 52, 1075-1118.

Entertaining readings includes:

Akerlof, G.A., and R.J. Shiller, 2009. Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism. Princeton: Princeton University Press.

Kahneman, D., 2011. Thinking, Fast and Slow. New York: Farrar, Straus and Giroux.

Thaler, R., 2015. Misbehaving. New York: W. W. Norton & Company.

This syllabus may be updated.

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