

**BEHAVIORAL ECONOMICS**

<b>Credit points</b>	4 CP		
<b>Duration of the study course</b>	2 sem. (study programme 90 CP) / 3 sem. (study programme 120 CP)		
<b>Study course annotation</b>	The content of the course consists of irrational decision-making mechanisms such as sunk cost, status quo effect, mental accounting, which are known as mental shortcuts in behavioral economics.		
<b>Aim of the study course</b>	The aim of the course is to inform students about the basic irrational decision-making mechanisms of people.		
<b>Study course results</b>	<b>Knowledge</b>	<b>Skills</b>	<b>Competences</b>
	This course provides information about the human profile upon which economic theories are built, while also shedding light on the real-life human profile encountered. In fact, the human profile in real life does not conform to the rational human profile upon which classical economic theories are constructed. From this perspective, students will learn how far from rationality individuals actually make decisions.	Students taking the course will not only gain the ability to make more rational decisions in financial markets but also in the face of choices they may encounter in every aspect of life. Additionally, they will acquire knowledge about basic experimental designs used in social sciences, enabling them to conduct controlled experiments at a fundamental level.	They will be able to identify anomalies in financial decisions. They will be able to identify irrational elements in both their own decisions and the decisions of others. They will be able to design controlled experiments at a basic level, thus enriching their academic studies.
<b>Study course content</b>	<b>Topics</b>		
	1	Introduction: Homo-Economicus	
	2	Sunk Cost Effect	
	3	Mental Accounting	
	4	Gambler's Fallacy	
	5	Representativeness and Anchoring	
	6	Ownership Effect	
	7	Representation and Anchoring	
8	Status Quo Effect		
<b>Form of assessment:</b>	The final exam will consist of a small number of open-ended questions.		
<b>Obligatory literature:</b>	<ul style="list-style-type: none"> <li>• Thaler, R. H. (1999). Mental Accounting, Loss Aversion, and Tax Evasion: Theory and Evidence. <i>Journal of Behavioral Decision Making</i>, 12, 183–206. <a href="https://doi.org/10.1002/(SICI)1099-0771(199909)12:3&lt;183::AID-BDM318&gt;3.0.CO;2-F">https://doi.org/10.1002/(SICI)1099-0771(199909)12:3&lt;183::AID-BDM318&gt;3.0.CO;2-F</a></li> <li>• Tversky, A., &amp; Kahneman, D. (1981). The Framing of Decisions and the Psychology of Choice. <i>Science</i>, 211(4481), 453–458. <a href="https://doi.org/10.3366/jbctv.2017.0387">https://doi.org/10.3366/jbctv.2017.0387</a></li> <li>• Kahneman, D., Knetsch, J. L., &amp; Thaler, R. H. (1990). Experimental Tests of the Endowment Effect and the Coase Theorem. <i>Journal of Political Economy</i>, 98(6), 1325–1348. <a href="https://doi.org/10.4324/9781003019121-8">https://doi.org/10.4324/9781003019121-8</a></li> <li>• Jetter, M., &amp; Walker, J. K. (2017). Anchoring in Financial Decision-Making: Evidence from Jeopardy! <i>Journal of Economic Behavior and Organization</i>, 141, 164–176. <a href="https://doi.org/10.1016/j.jebo.2017.07.006">https://doi.org/10.1016/j.jebo.2017.07.006</a></li> <li>• Samuelson, W., &amp; Zeckhauser, R. (1988). Status Quo Bias in Decision Making. <i>Journal of Risk and Uncertainty</i>, 1(1), 7–59. <a href="https://doi.org/https://doi.org/10.1007/BF00055564">https://doi.org/https://doi.org/10.1007/BF00055564</a></li> </ul>		
<b>Additional literature:</b>	<ul style="list-style-type: none"> <li>• Arkes, H. R., &amp; Blumer, C. (1985). The Psychology of Sunk Cost. <i>Organizational Behavior and Human Decision Processes</i>, 35(1), 124–140.</li> <li>• Ariely, D. (2008). <i>Predictably Irrational: The Hidden Forces That Shape Our Decisions</i>. HarperCollins.</li> </ul>		

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- Spec of Dan Ariely: <https://www.youtube.com/watch?v=c8iswsLT3Jc>
- Thaler, R. H. (2009). *Nudge*. Penguin Books.
- Tversky, A., & Kahneman, D. (1974). Judgment under Uncertainty: Heuristics and Biases *Amos. Science*, 185(4157), 1124–1131.

Changes and additions to the program and literature list are possible during the study process