

Universität Kassel FB07 34109 Kassel

To all PhD-students  
in the MAGKS-network

**FG Finanzwissenschaft**

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### **MAGKS-Course on Behavioral Economics spring 2023 – preliminary outline**

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Dear PhD-students,

I am planning to give my MAGKS-course on Behavioral Economics in Spring 2023.

The main aim of the course is to give you an overview on the field of Behavioral Economics covering both concepts and methods and hopefully inspiring you to make use of them in your own research.

The course is organized in three blocks:

Block 1: March 29–30, 2023

Block 2: March 31, 2023

Block 3: date: t.b.d., 12–15 units of 45 minutes each

Blocks 1 & 2 will take place at the University of Kassel, Campus Holländischer Platz (10.00 – 17.45). The time slots and mode of teaching for Block 3 will be determined when we meet in April 2023.

Below, please find the preliminary outline of the course and a list of reading for block 1. The literature listed covers far more aspects of Behavioral Economics than we can even touch on. It is intended to inspire selective reading. You do not have to work through the readings.

Note that the outline is preliminary. I am still working through a number of recent contributions. So there may be some changes.

(Ivo Bischoff)

Block 1:

- I will introduce you to the field of Behavioral Economics.
- The choice of topics, models and concepts is highly selective. It is intended to give you an overview on the very heterogeneous bouquet of elements in Behavioral Economics.

Block 2:

- Participants give a 10-minute presentation about the main theme of their dissertation (or any other research project they currently work on). In this presentation, the following questions should be addressed:
  - Which concepts and methods are potentially useful for your own research?
  - How can they be integrated?

After each presentation, there will be room for discussion – especially on these two questions.

- At the end of block 2, each one of you chooses a specific concept or method that has not been covered so far. The concept or method can be related to your own research but it does not have to be.

Time between block 2 and 3:

- You prepare a presentation on the concept or method chosen and a commented list of readings for the other participants of the course.
- If you have any question regarding your presentation, I will be happy to help.

Block 3:

- Participants give their presentations (25 minutes per presentation).
- They should focus on the following aspects
  - key elements of the concept or method
  - How to apply the concept (possibly using an example)
- Each presentation is followed by a general discussion.

**A. Behavioral Economics – Defining a new field in economics**

1. Rationality in economics and psychology
2. Rational Behavior in economics
3. How to falsify the rationality assumption
4. What is Behavioral Economics?

**B. Anomaly–Hunting in non–complex environments**

1. Non–rational behavior in games against nature
2. Violations of the implicit requirements for rational behavior
3. Non–rational behavior in games
4. Discussion: so what?

**C. Methods in behavioral economics**

1. Experimental Economics
2. Field experiments: a brief sidestep
3. Neuroeconomics: a brief introduction
4. Vignettes and survey experiments
5. A note on qualitative methods

**D. Broadening the scope of the utility functions**

1. Fairness and other–regarding preferences
2. Psychological games
3. Economics of identity – the model of Akerlof and Kranton (QJE, 2000)
4. Expressive behavior
5. Economics of Status

**E. Boundedly rational behavior – a selection of models using non–complex environments**

1. Types of models
2. Prospect theory (Daniel Kahneman and Amos Tversky, 1979, 1992)
3. Regret theory (Loomes and Sugden, 1982)
4. Self–control problem – the  $(\beta, \delta)$ –problem (see O’Donoghue and Rabin, 1999)
5. Dual process theories
6. Saliency theory (Bordalo Gennaioli and Shleifer 2020, 2021).
7. Roemers’ concept of a Kantian equilibrium

## **F. Human behavior in complex environments**

1. Starting point: complex environment
2. Helpful concepts about cognition and decision making in complex environments
3. Rule-based behavior
4. Thinking about a complex world: mental models
5. Regularities in human reasoning/decisions about the economy
6. An economist's perspective on these issues: some thoughts

## **G. (Further) Imports from psychology and their relationship to the concept of preferences**

1. Personality
2. Affect and Emotions

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## **H. Narrative Economics (Robert J. Shiller)**

### **I. Learning**

1. Learning in conventional economics
2. Normative theories of learning
3. Positive theories of learning
4. Using models of learning to answer questions in economics and economic policy
5. Some remarks on the choice of an adequate learning model

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