

EC345-15 Behavioural Economics: Theory and Applications

20/21

Academic year

20/21

Department

Economics

Level

Undergraduate Level 3

Module leader

Alexander Dobson

Credit value

15

Module duration

10 weeks

Assessment

Multiple

Study location

University of Warwick main campus, Coventry

Description

Introductory description

EC345-15 Behavioural Economics: Theory and Applications

[Module web page](#)

Module aims

The module aims to develop students' knowledge and understanding of economic decision making by emphasising how psychological and experimental findings (from the field and laboratory) have shaped contemporary economic models. In particular the students will learn about recent theoretical developments modelling consumer behaviour, especially in relation to preferences and judgements in situations involving risk, uncertainty and time. The module will also broaden students' knowledge of the way models and theories are empirically or experimentally tested. In this respect students will be acquainted with key empirical results from the field of behavioural economics

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

The syllabus will cover both theory and application of Behavioural Economics. It will typically include topics such as:

1. Prospect Theory - Effect of reference dependent preferences, loss aversion (sometimes called the endowment effect), present bias and social preferences, in the labour, financial and other markets.
2. The relationship between choice utility and subjective well-being.
3. Economics of Happiness

Applications

1. Addiction - Review the standard rational model of addiction (Becker & Murphy). Effect of time-inconsistency on consumption, externalities and multiple-selves. Illustration of policy interventions and the implications for the setting of taxes on commodities such as alcohol and tobacco.
2. Dishonesty - from incentive compatibility where truth telling is induced to dishonesty as an empirical regularity (focus on the work by Dan Ariely) Also report on experiments involving incorrect bills in restaurants - do diners react by notifying the waiter if the mistake is in their favour?
3. Implications for policy - with reference to competition and consumer policies we shall look at the idea of Nudge based policies and contrast these with traditional incentive market-based policies. The course will have an emphasis on the empirical identification of the different models, but it does not require an advanced econometric knowledge.

Learning outcomes

By the end of the module, students should be able to:

- Subject knowledge and understanding Understand the rationale for the study of behavioural economics and to be able to describe the key theoretical and empirical tools of modern behavioural economics. Present a good understanding of economic behaviour involving agents
The teaching and learning methods that enable students to achieve this learning outcome are: Lectures, seminars, independent study and reading. The summative assessment methods that measure the achievement of this learning outcome are: Examination
- Subject knowledge and understanding Develop plausible models of behaviour that cannot be explained by the standard economic rational agent-based theories
The teaching and learning methods that enable students to achieve this learning outcome are: Lectures, seminars, independent study and reading. The summative assessment methods that measure the achievement of this learning outcome are: Examination
- Key Skills Able to communicate an understanding of behavioural economics using appropriate methodologies
The teaching and learning methods that enable students to achieve this learning outcome are: Lectures, seminars, independent study and reading. The summative assessment methods that measure the achievement of this learning outcome are: Examination
- Key Skills The teaching and learning methods that enable students to achieve this learning outcome are: Demonstrate knowledge of laboratory and field experimentation. Lectures, seminars, independent study and reading. The summative assessment methods that measure the achievement of this learning outcome are: Examination
- Professional skills Understand contemporary economic models founded on behavioural economics and increasingly used by practitioners in a variety of fields from government to

companies. The teaching and learning methods that enable students to achieve this learning outcome are: Lectures, seminars, independent study and reading. The summative assessment methods that measure the achievement of this learning outcome are: Examination

Indicative reading list

Please see Talis Aspire link for most up to date list.

[View reading list on Talis Aspire](#)

Subject specific skills

Students will have the opportunity to develop skills in:

Analytical thinking and communication

Analytical reasoning

Critical thinking

Strategic thinking

Problem-solving

Abstraction

Policy evaluation

Analysis of incentives

Analysis of optimisation

Understanding of Uncertainty and Incomplete Information

Transferable skills

Students will have the opportunity to develop:

Numeracy and quantitative skills

Written communication skills

Oral communication skills

Mathematical, statistical and data-based research skills

Study

Study time

Type	Required
Lectures	20 sessions of 1 hour (13%)
Seminars	4 sessions of 1 hour (3%)
Private study	126 hours (84%)
Total	150 hours

Private study description

Private study will be required in order to prepare for seminars/classes, to review lecture notes, to prepare for forthcoming assessments, tests, and exams, and to undertake wider reading around the subject.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Students can register for this module without taking any assessment.

Assessment group B3

	Weighting	Study time
2 hour examination (Summer)	100%	
A paper which examines the course content and ensures learning outcomes are achieved.		

Assessment group D

	Weighting	Study time
In-class test (online)	20%	
2 hour examination (Summer)	80%	

Feedback on assessment

The Department of Economics is committed to providing high quality and timely feedback to students on their assessed work, to enable them to review and continuously improve their work. We are dedicated to ensuring feedback is returned to students within 20 University working days of their assessment deadline. Feedback for assignments is returned either on a standardised assessment feedback cover sheet which gives information both by tick boxes and by free comments or via free text comments on tabula, together with the annotated assignment. For tests and problem sets, students receive solutions as an important form of feedback and their marked assignment, with a breakdown of marks and comments by question and sub-question. Students are informed how to access their feedback, either by collecting from the Undergraduate Office or via tabula. Module leaders often provide generic feedback for the cohort outlining what was done well, less well, and what was expected on the assignment and any other common themes. This feedback also includes a cumulative distribution function with summary statistics so students can review their performance in relation to the cohort. This feedback is in addition to the individual-

specific feedback on assessment performance.

[Past exam papers for EC345](#)

Availability

Pre-requisites

To take this module, you must have passed:

- Any of
 - [EC202-30 Microeconomics 2](#)
 - [EC204-30 Economics 2](#)

Courses

This module is Optional for:

- Year 1 of TECA-L1P5 Postgraduate Taught Economics
- TECA-L1PA Postgraduate Taught Economics (Diploma plus MSc)
 - Year 1 of L1PA Economics (Diploma plus MSc)
 - Year 2 of L1PA Economics (Diploma plus MSc)
- UECA-3 Undergraduate Economics 3 Year Variants
 - Year 3 of L100 Economics
 - Year 3 of L116 Economics and Industrial Organization
- UECA-4 Undergraduate Economics 4 Year Variants
 - Year 4 of L103 Economics with Study Abroad
 - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
- Year 3 of UECA-LM1D Undergraduate Economics, Politics and International Studies
- Year 3 of UMAA-GL11 Undergraduate Mathematics and Economics
- Year 4 of UECA-GL12 Undergraduate Mathematics and Economics (with Intercalated Year)
- Year 4 of UPHA-V7MM Undergraduate Philosophy, Politics and Economics (with Intercalated year)