

# IB3J0-15 Behavioural Economics

20/21

**Department**

Warwick Business School

**Level**

Undergraduate Level 3

**Module leader**

Tim Mullett

**Credit value**

15

**Module duration**

9 weeks

**Assessment**

100% coursework

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

N/A.

[Module web page](#)

### Module aims

The principal module aims are:

1. To give a rigorous grounding in the key concepts and theories in behavioural economics, as well as the experimental and other evidence that underpins the field.
2. To allow students to critically evaluate and apply behavioural economic ideas in practical business and policy contexts.

### 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 module will provide an in-depth analysis of the foundations, content and applications of behavioural economics, including its practical and social implications, and its implications for

human rationality. The module will address a variety of topics, concerning individual decision making, strategic interactions, and issues of fairness and social preferences.

There will be nine key topics, which will align with the nine lectures:

1. What is Behavioural Economics?
2. Values and Choices.
3. Decision making under risk.
4. Mental accounting.
5. Intertemporal choice.
6. Strategic interactions.
7. Social preferences.
8. Implications for human rationality.
9. Applications business and policy.

## **Learning outcomes**

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

- Articulate and apply the key concepts and theories in behavioural economics. This will include an understanding of risk aversion, loss aversion, mental accounting, behavioural game theory, social dilemmas.
- Compare the standard rationality assumptions in economic theory with the results of experimental research on human decision making.
- Evaluate the experimental and other evidence that underpins claims in behavioural economics.
- Critically evaluate and apply behavioural economic ideas in practical business and policy contexts.
- Critically evaluate existing behavioural proposals in policy making and business contexts, which purport to be based on principles from behavioural economics.
- Demonstrate an ability to extract important information, getting the big picture first, and moving on to small details later on.
- Learn to provide criticisms in a constructive and well argued and justified manner. Criticisms need to be logically argued and explained.
- Learn to expose and explain concepts and argumentations in an ordered, structured and logical fashion.
- Learn to think 'out-of-the box' coming up with new ways of investigating new questions and findings solutions to existing problems.

## **Indicative reading list**

### Books

Wilkinson, N., & Klaes, M. (2017). An introduction to behavioral economics. Macmillan International Higher Education.

Hastie, R., & Dawes, R. M. (2010). Rational choice in an uncertain world: The psychology of judgment and decision making. Sage.

Cartwright, E. (2018). Behavioral economics. Routledge.

Kahneman, D (2011). "Thinking fast and slow".

Thaler, R.H. Sunstein, C. R. (2008) Nudge: Improving decisions about health, wealth, and

happiness. Penguin Books.

Ariely, D. (2009). Predictably irrational (p. 71). New York: HarperCollins.

Journal Articles

Camerer (1998). "Loss aversion in the wild: Evidence from the field".

Chao, M. (2017). Demotivating incentives and motivation crowding out in charitable giving.

Proceedings of the National Academy of Sciences, 201616921.

Epley, N., & Gneezy, A. (2007). The framing of financial windfalls and implications for public policy. *The Journal of Socio-Economics*, 36(1), 36-47.

Falk, A., Fehr, E. and Fischbacher, U. (2003), On the Nature of Fair Behavior. *Economic Inquiry*, 41: 20–26.

Fehr, E. & Fischbacher, U. (2003). The nature of human altruism. *Nature*, 425, 785-791.

Gamliel, E., & Peer, E. (2010). Attribute framing affects the perceived fairness of health care allocation principles. *Judgment and Decision Making*, 5(1), 11.

Heilman, C. M., Nakamoto, K., & Rao, A. G. (2002). Pleasant surprises: Consumer response to unexpected in-store coupons. *Journal of Marketing Research*, 39(2), 242-252.

Leonard, T. C. (2008). Richard H. Thaler, Cass R. Sunstein, *Nudge: Improving decisions about health, wealth, and happiness*. *Constitutional Political Economy*, 19(4), 356-360.

Mussweiler, T., & Strack, F. (2001). Considering the impossible: Explaining the effects of implausible anchors. *Social Cognition*, 19(2), 145.

Powdthavee, N. (2015). Would You Like to Know What Makes People Happy? An Overview of the Datasets on Subjective Well-Being. *Australian Economic Review*, 48(3), 314-320.

Thaler (1999). Mental accounting matters. *Journal of Behavioural Decision Making* 12,183-206.

Trump, R. K., Finkelstein, S. R., & Connell, P. M. (2015). I will risk a stranger's money, but not my own or my friend's money: Effect of proximity of the money source to the self on financial risk-taking. *Marketing Letters*, 26(4), 501-512.

Urminsky, O., & Zauberman, G. (2015). The psychology of intertemporal preferences. *The Wiley Blackwell handbook of judgment and decision making*, 141-181.

## **Subject specific skills**

Analyse and critique experimental research, and to understand the importance of eliminating alternative explanations for observed phenomena will be stressed.

Demonstrate an ability to extract important information, getting the big picture first, and moving on to small details later on.

Learn to provide criticisms in a constructive and well-argued and justified manner.

Criticisms need to be logically argued and explained.

Learn to expose and explain concepts and argumentations in an ordered, structured and logical fashion.

Learn to think 'out-of-the-box' coming up with new ways of investigating new questions and findings solutions to existing problems.

## **Transferable skills**

Learn key concepts and theories in behavioural economics.

Develop research skills and capacity to reason based on scientific evidence.

Develop well-argued, constructive and supported critiques.

Develop writing skills.

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## Study

### Study time

Type	Required
Lectures	9 sessions of 2 hours (12%)
Seminars	9 sessions of 1 hour (6%)
Private study	49 hours (33%)
Assessment	74 hours (49%)
Total	150 hours

### Private study description

Private Study.

### Costs

No further costs have been identified for this module.

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## Assessment

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

### Assessment group A1

	Weighting	Study time
Individual Assignment 1 (15 CATS)	20%	15 hours
Individual Assignment 2 (15 CATS)	80%	59 hours

### Feedback on assessment

Detailed written feedback on the essay will be provided, focusing on the key learning outcomes, as well as giving feedback on the general quality of the arguments and writing.

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## Availability

### Courses

This module is Optional for:

- Year 4 of UGEA-RN21 Undergraduate German and Business Studies