

Specialization: Behavioral and Experimental Economics



Univ. Prof. Dr. Gerlinde Fellner-Röhling
Department of Economics

Summer term 2024



What is Behavioral Economics?

- Behavioral Economics: *“the attempt to increase the explanatory and predictive power of economic theory by providing it with more psychologically plausible foundations.”* Angner (2016, p.4)
 - The main aim of the course is to better understand economic decision making.
 - In each topic we will review the neoclassical (or standard) theory of behavior.
 - We will then highlight departures from this standard theory. By drawing on some in-class (thought) experiments, you should recognize these same departures in your own decision-making.
 - Alternative theories of behavior will be presented that incorporate insights from psychology and other disciplines to explain departures from the standard theory and make better predictions

Main topics covered in the course

1. Judgement and choice (under certainty and under risk)
2. Intertemporal choice
3. Strategic interaction
 - Cognitive limitations
 - Social preferences

Literature

- Angner, E. (2016). A Course in Behavioral Economics. 2nd Ed. Palgrave Macmillan. E-book available in the library.
- Wilkinson, N. & Klaes, M. (2012). An introduction to behavioral economics. Palgrave-McMillan

An Example of judgement

"Linda is thirty-one years old, single, outspoken, and very bright. She majored in philosophy. As a student, she was deeply concerned with issues of discrimination and social justice, and also participated in antinuclear demonstrations."

What is more likely?

- a) Linda works in a bank.
- b) Linda works in a bank and is a feminist.

Some challenges for the standard economic model

- Why do sellers often value their goods and services much higher than buyers?
- Why is someone willing to drive through a snowstorm to see a soccer game when they have paid for the ticket but not when they have been given the ticket for free?
- Why do people forever make resolutions to go on a diet or stop smoking, only to give in later?
- Why are people delighted to hear they are going to get a 10% raise in salary, and are then furious to find out a colleague gets 15%?
- Why do people donate to charity?

Grading

- There will be a midterm exam accounting 40% of the grade for the course.
- Another 20% will come from working on problem sets during the semester.
- The remaining 40% come from a second exam.
- I try to do tutorials in class, i.e., when appropriate, I will present solutions to problem sets in the lecture.

Research & Policy Seminar: Behavioral and Experimental Economics



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- Economics as an experimental science
- Experimental design
- Aims and scope of experiments
- Arguments raised against experiments

→ Students will work on an experimental project

The projects

- Proposed by students (or based on Assignments)
- Elaboration of the hypotheses, design of the experiment, pre-analysis plan, ethics proposal, ...

If you are interested in writing a MA-Thesis, you can ...

- run the study in real (at WULABS or online)
- apply for funding (WU merit-based and need-based scholarship grants, WU labs)

2 Presentations

- First presentation will be on the research question and the experimental idea
- Second presentation will be on the final experimental design

Write a research paper / pre-analysis plan / ethics proposal

70% research paper

15% each presentation

Some project ideas

- Overconfidence (feedback learning, externalities)
- Peer effects in decision making
- Gender differences in workplace behavior (error reporting, sabotage,...)
- Human Machine Interaction (Advice giving, people analytics)
- ...