


International Summer University^{WU} 2022

WU (Vienna University of Economics and Business)

Course outline

Course title	Behavioral Decision Making	
Instructor	<p><i>Boris Maciejovsky</i> borism@ucr.edu University of California, Riverside. School of Business</p>	
Language of instruction	English	
Course level	Graduate	
Contact hours	25 teaching hours (45 min. each)	

Aim of the course

In contrast to the standard rational model of economic behavior, behavioral economics takes into account individuals' limited cognitive abilities and limited willpower. Because of this, people often make decisions that depart systematically from the predictions derived from the standard rational model. Behavioral economics attempts to understand these departures by incorporating psychological findings and insights into economic analysis.

The course focuses on seminal and current research findings and covers topics, such as: Why economic decisions are driven largely by emotions? How do expectations shape perceptions and subsequent decisions? What are the negative consequences of monetary incentives on motivation and task completion?

This interdisciplinary course is relevant for students with interests in General Management, Behavioral Finance, Entrepreneurship, Social Entrepreneurship, and Marketing.

Learning objectives

This class has two main learning objectives:

- To introduce the students to the range of cases where people (consumers, employees, managers, and investors) make decisions that are inconsistent with standard economic theory, and the assumptions of rational decision making. This is the lens of behavioral economics.

- To help students think creatively about the applications of behavioral economics principles for the development of new products, technology-based products, public policies, and to understand how business and social policy strategies could be modified with a deeper understanding of the effects the principles have on consumers, employees, managers, and investors.

Prerequisites and/or admission requirements

Application requirements for the Graduate Program are current enrollment in a master's or MBA program (or equivalent), with a focus on business administration/economics, and / or a bachelor degree in a business major by the time of participation in the ISU^{WU} program.

Applicants interested in participating in the International Summer University^{WU} need an excellent command of the English language. The English language requirements can be found at [ISU^{WU} Language Requirements](#).

Application requirements for WU students can be found on our [application website](#).

Teaching methods

- Lectures
- Class exercises
- Class experiments
- Student presentations

Pre-course assignment

All students participating in the ISU^{WU} have to submit a pre-course assignment for each ISU^{WU} course to prepare for the course content and to ensure they have the qualifications necessary to start the course at the same level.

PART A: Select **three papers from the core reading list** and summarise them in one paragraph each; in a second paragraph add your key learnings from the paper in question and any questions you may have.

PART B: On the basis of ALL core readings, as well as additional readings (self-chosen or suggested by the lecturer), write a short **essay answering the** following question:

"Incentives matter. Find an example of bad incentives in the real world and suggest ways to fix the problem. Bad incentives are incentives designed to change certain behaviors but fail to do so. Explain why you think your approach is better."

PART A should not exceed 2 DIN A4 pages (12-point font, double-spaced).

PART B should not exceed 600 words (please put the word count on top of front page, 12-point font, double-spaced). The essay will be marked on:

- Clarity and consistency of argument
- Creativity of proposed solution

The pre-course assignment must be emailed to the lecturer in ONE document combining Parts A and B by July 29, 2022. The file name must include the student's first and last names.

Course Contents	
Day 1 – Rationality & Choice Effects Influence & Fake News	<ul style="list-style-type: none"> • Standard economic framework • Decision points and defaults • Preference construction • Choice effects <ul style="list-style-type: none"> • Political predispositions • The science of fake news • Why is fake news pervasive? • How can fake news be countered?
Day 2 – Incentives & Motivation Racism & Discrimination	<ul style="list-style-type: none"> • Choice Architecture • EAST model • Motivation • Money & performance <ul style="list-style-type: none"> • Theory of discrimination • Economic examples • Strategies to reduce discrimination
Day 3 – Group Decision-Making Student Presentations I	<ul style="list-style-type: none"> • Intellective tasks • Judgmental tasks • Groups vs. markets
Day 4 – Ethics & Morality Psychology of Money	<ul style="list-style-type: none"> • Foundations of morality • Rider & elephant model • Five dimensions of morality • Dishonesty and cheating <ul style="list-style-type: none"> • Opportunity costs • Mental accounting • IKEA effect • Social & monetary norms
Day 5 – Emotions & Happiness Student Presentations II	<ul style="list-style-type: none"> • Affect vs. cognition • Identifiable victim effect • Affective forecasting

Comments
<p>Specific elements of the course content may be moved due to pedagogical and/or time considerations at the discretion of the instructor.</p> <p>Attendance and punctuality are mandatory for all sessions.</p>

Criteria for successful completion of the course		
<ul style="list-style-type: none">• Class participation• Participation in group projects• Group presentations• Submission of final group paper		
Grade	Points (out of 100)	Description

1/A	>90	Excellent: Exceptional performance, demonstrated superior understanding of course material and its application to novel areas
2/B	80 - 89	Very good: Strong performance, demonstrated solid understanding of course material and its application to similar areas
3/C	70-79	Satisfactory: Good performance, demonstrated basic understanding of course material and its applications
4/D	60-69	Marginal: Adequate performance, showed some understanding of the course material and its applications
5/F	<60	Failed: Unsatisfactory performance, lacked basic understanding of the course material and its applications

Assessment

- Pre-course assignment (25%)
- Class participation (15%)
- Individual essay (20%)
- Group presentations & submission of final group paper (40%)

Course literature (all readings will be made available)

DAY 1:

Huber, J., Payne, J. W., & Puto, C. P. (2014). Let's be honest about the attraction effect. *Journal of Marketing Research*, 50, 520-525.

Johnson, E. J., & Goldstein, D. (2003). Do defaults save lives? *Science*, 302, 1338-1339.

Van Bavel, J. J., & Pereira, A. (2018). The partisan brain: An identity-based model of political belief. *Trends in Cognitive Science*, 22, 214-224.

Vosoughi, S., Roy, D., & Aral, S. (2018). The spread of true and false news online. *Science*, 359, 1146-1151.

DAY 2:

Halpern, D., & Sanders, M. (2016). Nudging by government: Progress, impact and lessons learnt. *Behavioral Science and Policy*, 2, 53-65.

Norton, M. I., Mochon, D., & Ariely (2012). The IKEA effect: When labor leads to love. *Journal of Consumer Psychology*, 22, 453-460.

Balafoutas, L., & Sutter, M. (2012). Affirmative action policies promote women and do not harm efficiency in the lab. *Science*, 335, 579-582.

Fellner, G., & Maciejovsky, B. (2007). Risk attitude and market behavior: Evidence from experimental asset markets. *Journal of Economic Psychology*, 28, 338-350.

DAY 3:

Maciejovsky, B., & Budescu, D. V. (2013). Markets as a structural solution to knowledge-sharing dilemmas. *Organizational Behavior and Human Decision Processes*, 120, 154-167.

Sunstein, C. R., & Hastie, R. (2014). Making dumb groups smarter. *Harvard Business Review*, 92, 90-98.

DAY 4:

Haidt, J., (2008). Morality. Perspectives on *Psychological Science*, 3, 65-72.

Mazar, N., On, M., & Ariely, D. (2008). The dishonesty of honest people: A theory of self-concept maintenance. *Journal of Marketing Research*, 45, 633-644.

Lee, L., Lee, M. P., Bertini, M., Zauberger, G., & Ariely, D. (2015). Money, time, and the stability of consumer preferences. *Journal of Marketing Research*, 52, 184-199.

Zhou, X., Vohs, K. D., & Baumeister, R. F. (2009). The symbolic power of money. *Psychological Science*, 20, 700-706.

DAY 5:

Heyman, J., & Ariely, D. (2004). A tale of two markets. *Psychological Science*, 15, 787-793.

Wilson, T. D., & Gilbert, D. T. (2005). Affective forecasting: Knowing what to want. *Current Directions in Psychological Science*, 14, 131-134.

Please note the following information on the total workload of the respective course:

Course level	ECTS-credits	Pre-course workload	In-class activity	Outside of class workload during the program
Graduate	3	approx. 20 hours	19 hours (= 25 teaching hours)	approx. 20 hours