

Course title	Behavioural economics. Psychology of decision making					ECTS code	14.03.5340				
						ECTS credits	5				
						max. students	25				
Name of unit administrating study	KEMiRG	Field of study	Economics/MSG**	Field of specialisation	NONE;						
Teaching staff	Jacek Zaucha, Professor										
Number of hours											
Lectures	30	Classes	0	Tutorials	0	Laboratory	0	Seminars	0	Language classes	0
Forma aktywności						Year&Type of studies*	3 SS1, 1 SS2, 2 SS2,				
Hours with the participation of the academic teacher (including office hours, exams, others):						Semester:	6, 2, 4,				
Hours without the participation of the academic teacher (student's self-study, homeworks):						Type of course:	optional				
Total number of hours:						0	Language of instruction:	English			
Teaching form	in-class learning										
Teaching methods	Lectures including multimodal presentations, Activating methods in training classes, Discussion, questioning, Individual projects, Collaborating, group activities, Case studies,										
Prerequisites (required courses and introductory requirements)											
Required courses	none										
Introductory requirements	Basic knowledge of microeconomics and statistics										
Assessment method, forms and criteria											
Assessment method	Course completion (graded)										
Assessment criteria	<p>Student's presence at the meetings, active participation in the in-class experiments and problem solving (group work) - up to 60% of the grade</p> <p><u>Behavioural experiment prepared and executed by the group of students</u> (the experiment should be prepared by two or three students together; first an appropriate questionnaire for researching some behavioural problems or aspects of economy should be prepared and discussed with other students; then students should perform the research and present the results) &amp;minus; up to 40% of the grade. The grading is based on the quality of the project, quality of performance during presentation. The quality will be assessed on following basis:</p> <ul style="list-style-type: none"> <li>- innovation approach 50%,</li> <li>- reliability and realistic approach 30%,</li> <li>- attractiveness and clearness of presentation 20%</li> </ul>										
Course objectives											
<p>Making students aware of the main findings of the behavioural economics.</p> <p>Training students in the use of the behavioural tools and methods useful in solving day to day economic questions and problems.</p>											
Learning outcomes											
Knowledge	E1_W01	The student possesses basic knowledge of the nature and importance of behavioural economics and its place in social sciences and can describe the links between achievements in these fields, knows main findings of behavioural economics.									
	E1_W03	The student possesses basic knowledge of the relations between social structures and institutions and norms in the decision making process.									
	E1_W09	The student knows basic economic connections and governing rules discovered by behavioural economics.									
	MSG1_W01	The student has an advanced knowledge of behavioural Economics and its place in the system of sciences, including within related disciplines.									
	MSG1_W09	The student has knowledge about human beings behaviour with regard to making economic decisions, acting within social structures and organisational units or conducting individual economic activity.									
	E2_W01	The student has an in-depth knowledge of the nature of behavioural economics and its									

		place in the system of sciences; understands the differences between contemporary trends in economic thought; knows the claims of contemporary behavioural theories.
E2_W03		The student possesses basic knowledge of the relations between social structures and institutions and norms in the decision making process.
MSG2_W01		The student possesses basic knowledge of the nature and importance of behavioural economics and its place in social sciences and can describe the links between achievements in these fields, knows main findings of behavioural economics.

**Verification of learning outcomes - Knowledge**

Outcomes	written exam	oral exam	test	essay/paper /portfolio	tasks/ homeworks	individual presentation	group presentation	classroom activities	classroom discussion	individual project	group project
E1_W01								X	X		
E1_W03								X	X		X
E1_W09								X	X		
MSG1_W01								X	X		
MSG1_W09								X	X		
E2_W01								X	X		
MSG2_W01								X	X		

Skills		
E1_U01		The student can correctly interpret and explain economic and social phenomena, analyse their causes, course and connections between these phenomena using the acquired knowledge of behavioural economics.
E1_U02		The student is able to analyse correctly the causes and course of particular social processes mainly economic, political and social decisions through the behavioural economics prism.
E1_U08		The student is able to observe, understand and analyze economic and social phenomena and processes using adequate methods of behavioral economics
E1_U10		The student is able to prepare oral presentations, in English in the field of behavioral economics, using specialized terminology, theoretical approaches, principles of collecting various sources data, their description and interpretation as well as inference on the basis of scientific literature, can actively participate in the debate
MSG1_U01		The student can correctly interpret and explain economic and social phenomena, analyse their causes, course and connections between these phenomena using the acquired knowledge of behavioural economics.
MSG1_U02		The student can assess economic and social phenomena occurring in an open economy using methods and tools applied in behavioural economic.
MSG2_U01		The student can creatively interpret and explain complex and unusual economic phenomena and relations between them, using their knowledge in the field of behavioral economics
MSG2_U02		The student can assess economic and social phenomena occurring in an open economy using methods and tools applied in behavioural economic.
E2_U01		The student can correctly interpret and explain economic and social phenomena, analyse their causes, course and connections between these phenomena using the acquired knowledge of behavioural economics.
E2_U02		The student can use acquired knowledge to describe and analyse the causes and course of economic and social processes and phenomena, and can formulate his/her own opinions and critically select data and analysis methods based on the achievements of behavioural economics.
MSG2_U14		The student is able to prepare oral presentations, in English in the field of behavioral economics, using specialized terminology, theoretical approaches, principles of collecting various sources data, their description and interpretation as well as inference on the basis of scientific literature, can actively participate in the debate
E2_U10		The student is able to prepare oral presentations, in English in the field of behavioral economics, using specialized terminology, theoretical approaches, principles of collecting

	various sources data, their description and interpretation as well as inference on the basis of scientific literature, can actively participate in the debate
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**Verification of learning outcomes - Skills**

Outcomes	written exam	oral exam	test	essay/paper /portfolio	tasks/ homeworks	individual presentation	group presentation	classroom activities	classroom discussion	individual project	group project
E1_U01								X	X		X
E1_U02								X	X		X
E1_U08								X	X		X
MSG1_U15								X	X		X
MSG1_U01								X	X		X
MSG1_U02								X	X		X
MSG1_U02								X	X		X
E2_U01								X	X		X
E2_U02								X	X		X
MSG2_U14								X	X		X
E2_U10								X	X		X

Attitudes	E1_K02	The student critically assesses the level of his/her knowledge in the field of behavioural economics; is willing to deepen and update this knowledge throughout his/her life.
	E1_K05	The student correctly identifies, diagnoses and solves dilemmas and various options of solutions related to the profession by applying know-how of behavioural economics.
	E1_K04	The student due to applying know-how of behavioral economics is ready to think and act in an entrepreneurial manner; adapts to New situations and conditions, undertakes challenges of creative thinking; is resilient to failures; can identify threats and assess the risk of their occurrence.
	MSG1_K02	The student critically assesses the level of his/her knowledge in the field of behavioural economics; is willing to deepen and update this knowledge throughout his/her life.
	MSG1_K04	The student due to applying know-how of behavioral economics is ready to think and act in an entrepreneurial manner; adapts to New situations and conditions, undertakes challenges of creative thinking; is resilient to failures; can identify threats and assess the risk of their occurrence.
	MSG1_K05	The student correctly identifies, diagnoses and solves dilemmas and various options of solutions related to the profession by applying know-how of behavioural economics.
	E2_K02	The student critically assesses the level of his/her knowledge in the field of behavioural economics; is willing to deepen and update this knowledge throughout his/her life.
	E2_K05	The student correctly identifies, diagnoses and solves dilemmas and various options of solutions related to the profession by applying know-how of behavioural economics.
	MSG2_K06	The student is ready to independently identify, diagnose and responsibly resolve dilemmas and alternative solutions related to his/her profession by applying know-how of behavioural economics.

**Verification of learning outcomes - Attitudes**

Outcomes	written exam	oral exam	test	essay/paper /portfolio	tasks/ homeworks	individual presentation	group presentation	classroom activities	classroom discussion	individual project	group project
E1_K02									X		X
E1_K04											X
E1_K05											X

MSG1_K02									X		X
MSG1_K04											X
MSG1_K05											X
E2_K02									X		X
E2_K05											X
MSG2_K06											X

## Course contents

**Module 1: Rational decision making**

Decision making under conditions of risk and uncertainty,

Decision tree

Expected value,

Expected utility,

Petersburg paradox,

Case studies on practical use of the expected value.

**Module 2: Induction to the behavioural economics**

Von Neuman and Morgenstern theory,

Bounded rationality,

Preferences and economic motives of people,

Role of leading motives,

Reduced rationality of human economic choices,

Reduced rationality or different levels of rationality?

Behavioural economics in relation to the main stream economics.

**Module 3: System 1 and System 2**

How do we take decisions,

Automatic decisions and intuition,

Effort required to take conscious decisions, depletion effect,

Priming effect,

Cognitive ease,

Looking for explanations- coherent stories and norms,

Halo effect,

WYSIATI,

Question substituting

**Module 4: Heuristics and fallacies**

Affect heuristic,

Small numbers fallacy,

Availability heuristic,

Anchoring,

Representativeness heuristic,

Regression fallacy,

Framing,

Overconfidence and loss aversion:

Illusion of validity,

Planning fallacy,

Pervasive optimistic bias,

Sunk costs fallacy.

**Module 5: Prospect theory**

A neutral reference point - "adaptation level"

A principle of diminishing sensitivity in the evaluation of changes of wealth,

Loss aversion versus risk seeking,

Bad versus good choices,

Certainty and possibility effect,

Non-linear weighting of probabilities: for instance Prelec's function,

Endowment effect

**Module 6: Altruism**

Reciprocal altruism,

Altruism as an investment in cooperation,

Devotion as a part of altruistic behaviors,

Altruism as an investment,

Genders and altruistic approach.

**Module 7: Experiments and praxis**

Designing a behavioural experiment,

Discussing and finetuning the experiment concept,

Conducting the experiment,

Presentation of the research outcomes of the student's experiments and discussion



Recommended reading lists

1. Ariely D., *Predictably Irrational*. Harper Collins Publishers 2008  
[http://www.google.pl/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCsQFjAA&url=http%3A%2F%2Fwww.shabanali.com%2Fupload%2Fpredictable.pdf&ei=M8geU6aeAsqshQe6moGACQ&usq=AFQjCNGyTbxCzAs0VkJbtCluUTE\\_I556sA&sig2=qM6HfHk1qBwV-Gyp27TZVA](http://www.google.pl/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCsQFjAA&url=http%3A%2F%2Fwww.shabanali.com%2Fupload%2Fpredictable.pdf&ei=M8geU6aeAsqshQe6moGACQ&usq=AFQjCNGyTbxCzAs0VkJbtCluUTE_I556sA&sig2=qM6HfHk1qBwV-Gyp27TZVA).
2. Kahneman D., *Thinking fast and slow*. Macmillan 2001.

Contact

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\* SS1- undergraduate studies \* SS2 - graduate studies \* SDang - doctoral studies  
\*\* MSG - International Economic Relations