Subject outline

This subject introduces students to research demonstrating departures from perfect rationality and self-interested behaviour, and to formal models of behaviour that were developed in response to these findings. We will focus on basic research, but will discuss selected applications, as well as the implications of behavioural economics for welfare analysis and for public policy. Particular topics will include self-control, reference-dependence, loss-aversion, belief biases, other-regarding preferences, and subjective well-being.

Behavioural economics is inspired by experimental findings, and in turn informs much experimental research. We will read and discuss a number of experimental papers, and discuss the role of lab and field experiments as a source of knowledge in economics. We will not, however, discuss the craft of designing and running successful experiments. Students with a particular interest in experimental economics may be interested in ECON30022 Experimental Economics.

Given the time constraints there are many important subjects, which we will have little or no time to discuss. In particular, we will not talk about evolutionary psychology and neuroeconomics (though we will talk about the two-systems view of decision making). The bulk of our time will be devoted to the discussion of relevant psychology findings, and their implications for economic theory, applications, and policy.

Learning outcomes

To view the subject objectives and the generic skills you will develop through successful completion of this subject, please see the University Handbook. To view the learning goals, generic skills and graduate attributes for your degree, please locate the University Handbook entry for your degree.

Prerequisites

The prerequisite for this subject is ECON20002 Intermediate Microeconomics. A thorough understanding of microeconomic analysis of decision
making and a good mathematical intuition is expected, and would be required for successful completion of this subject.

**Academic staff contact details**

**Subject coordinator and lecturer**
Your coordinator for ECON30019 Behavioural Economics is Dr. **Guy Mayraz**.

**Email**  guy.mayraz@unimelb.edu.au

**Room**  FBE 413

**Phone**  03 9035 8141

**Office hours**  Tuesdays 3:00-4:00

**Tutor**
Your tutor for ECON30019 Behavioural Economics is **Edwin Ip**

**Email**  e.ip@student.unimelb.edu.au

**Office hours**  Tuesdays 2:00-3:00

**Email protocol**
Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address.

While academic staff endeavor to address queries received via email, it is more appropriate to resolve substantive questions during lectures and tutorials and during normal office hours. With this in mind, we encourage students to attend all lectures and tutorials and to familiarise themselves with the office hours offered by the lecturers and tutors in this subject.
Lectures and tutorials

Lecture times

- Monday 12:00-1:00 FBE Theatre One
- Wednesday 12:00-1:00 Babel 106 (Middle Theatre)

Lecture schedule (subject to change)

Week 1 Introduction and Overview

Week 2-4 Temptation and Self-Control

Week 4-5 Choice under Risk and Uncertainty

Week 5-6 Reference-dependent preferences

Week 7-8 Non-standard beliefs

Week 8-9 Other regarding preferences

Week 9-12 Behavioural public policy and subjective well-being

Lecture slides

Lecture slides will be placed on the LMS page for this subject prior to each lecture. The lecture slides are located under the heading “Lectures”. Slides for the Monday lecture will generally be available by the preceding Thursday. Slides for the Wednesday lecture will generally be available by the preceding Monday.

Lecture Capture (Echo 360)

Audio recordings of lectures delivered in this subject will be made available for review in the days following each lecture. Audio recordings of lectures allow you to revise lectures during the semester, or to review lectures in preparation for the end of semester exam.

You can access recorded lectures by clicking on the Lectures menu item in the LMS page for this subject. To listen to lecture recordings, you must install QuickTime 7 (or a later version) on your computer.
Please note that lecture recordings are not a substitute for attendance; rather they’re designed for revision. On rare occasions the lecture capture system can fail to record the lecture due to technical reasons. In such cases, the lecture recording will not be made available.

**Tutorial times**

- Monday 2:15-3:15 Alan Gilbert 124
- Monday 3:15-4:15 The Spot 2019
- Wednesday 3:00-4:00 The Spot 5016

*Please note there will be a tutorial in the first week of term. There is no required reading for the first tutorial.*

**Tutorial participation requirements**

Attendance at tutorials is an integral part of the subject, and is required of all students. You should inform the tutor in advance if they cannot attend a particular tutorial. Students are expected to take an active part in tutorial discussions.

Most other tutorials will focus on a behavioural paper, which students will be required to read prior to class. A presentation of the paper will be followed by an open discussion. Each student will be required to present one paper.

**Assessment**

Your assessment for this subject comprises the following:

<table>
<thead>
<tr>
<th>Assessment task</th>
<th>Individual or Group</th>
<th>Due</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essay</td>
<td>Individual</td>
<td>4 October</td>
<td>30%</td>
</tr>
<tr>
<td>End-of-semester exam</td>
<td>Individual</td>
<td>Assessment period</td>
<td>70%</td>
</tr>
</tbody>
</table>

**Alternative to the essay component of the assessment**

*tbc*
**Essay**

The essay of approximately 3,000 words (including references) is due on Friday 4 October by 5:00pm. The essay should be submitted using the on-line assignment submission tool. Students can access this by clicking on Assignment Tool in the navigation menu from the LMS page for this subject.

The topic of the essay is the relevance of behavioural economics for an economic problem of your choosing. You can choose whichever economic problem interests you, and can even choose an entire area of research (e.g. development, labour, etc.) The essay should explain the relevant economic problem(s), describe that parts of behavioural economics that may be relevant for research in this area, and evaluate their contribution critically.

**End of semester exam**

The exam would differ markedly from the one given when the subject was last offered in 2011. The exam format will be made available to students in due course. Questions similar to the ones included in the exam will be given as part of regular assignments, and these would then be covered in the subsequent tutorial. The final tutorial will be devoted entirely to exam preparation.

**Exam Policy**

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. See the Special Consideration web site for more information. The examination period for this semester is Monday 4 November to Friday 22 November.

**Using the Assignment Tool**

The Assignment Tool allows you to submit your assignment to your lecturer online from home or from any of the student labs on campus.

During the course of the semester, you’ll be asked to submit an essay in electronic format into the Assignment Tool. You can access the Assignment Tool by [[3http://fbe.unimelb.edu.au/csc/assistance/special_consideration](http://fbe.unimelb.edu.au/csc/assistance/special_consideration)]
Tool by clicking on Assignment Tool in the navigation menu from the LMS page for this subject.

A student guide has been prepared on the use of the Assignment Tool. The guide provides instructions on how to submit assignments in hardcopy format.\(^4\)

**Plagiarism and Collusion**

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (e.g. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.\(^5\)

**Penalties for Late Submission and Exceeding Word Limits**

In order to ensure equality for all students, assignments must be completed within specified time limits. Late submissions will attract a marking penalty where approval for late submission has not been given.

Assignments that exceed word limits may also attract a marking penalty.

**Special Consideration**

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration.\(^4\) The guide can be downloaded here: http://fbe.unimelb.edu.au/__data/assets/pdf_file/0006/708342/Students_Guide_Assignment_Tool_Feb2013.pdf

Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others. You will be required to use the APA system or Harvard System of referencing. The FBE Centre for Excellence in Learning and Teaching (CELT) has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments.

It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been used may also result in your assignment being penalised.

Other subject resources

General readings

There is no textbook for the course, but there will be required readings, which will be made available on LMS the week before the relevant lecture/tutorial. The following survey articles and books are recommended as a general reading to accompany the course. See the reference list for full bibliographic details.

- Psychology and Economics (Rabin, 1998) An excellent general survey article by the leading behavioural economics theorist.

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6The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application: http://fbe.unimelb.edu.au/csc/assistance/special_consideration


• Choices, Values, and Frames (Kahneman and Tversky, 2000). An indispensible collection of important texts in behavioural economics by the most important authors. Nearly every article is fantastic.

• The winner’s curse: Paradoxes and anomalies of economic life (Thaler, 2012). A collection of highly readable papers highlighting field and lab evidence that does not fit into standard economic theory. These were originally published in the Journal of Economic Perspectives, e.g. ‘Anomalies: The winner’s curse’ (Thaler, 1988).

• Behavioral Economics and Its Applications (Diamond and Vartiainen, 2007). A good collection of papers about the actual and potential role of behavioural economics in various economic areas, such as development, labour, etc.

• Thinking, Fast and Slow (Kahneman, 2011). A great popular book by a giant of behavioural economics (and a winner of the Nobel Prize). Particularly good for its discussion of the two systems view decision making.

• Nudge: Improving decisions about health, wealth, and happiness (Thaler and Sunstein, 2008). An important popular book about the welfare and policy implications of several important behavioural biases. Well-known for advocating ‘Libertarian Paternalism’.

• Influence, the psychology of persuasion (Cialdini, 2009). A classic in psychology

• Introduction to Behavioural Economics (Wilkinson and Klaes, 2012) and A Course in Behavioral Economics (Angner, 2012). These are currently available behavioural economics textbooks, which some students may find it useful alongside the lectures and tutorials. The first emphasises evolutionary psychology, and the second emphasises decision theory. Please note, however, that the lectures will not follow either of
these books, and that they cannot be used as a substitute for the lectures, tutorials, and required readings.

Online Tutor

The Online Tutor allows you to direct questions to your tutor/lecturer via the LMS. The Online Tutor can be accessed 24 hours a day, 7 days a week. Tutors will attempt to answer your question within 24 hours (weekdays only).

Your questions and the tutor’s answers can be accessed by all students in the subject, allowing everyone to benefit from the question and answer. Importantly, your identity will not be revealed to other students. Even if you don’t want to ask a question, you can still view existing questions and answers. Note that the Online Tutor is not designed to replace attendance at tutorials, but rather to complement the tutorial process. Also, simple questions that can be answered by referring to the prescribed readings will not usually be answered. You can access the Online Tutor via the Online Tutor link, located in the navigation menu of this subject’s LMS page.

LMS Discussion Board

The Discussion Board for this subject can be accessed via the LMS subject page and allows you to post messages and read messages at any time. All students are free to communicate with each other using the Discussion Board by posting, reading, and replying to messages.

The discussion forum is organised into threads (conversations within a topic). Messages are posted by starting a new thread or replying to an existing posting. To access the Discussion Board, click on the Discussion Board located in the navigation menu of the LMS page for this subject.

Always be polite when asking questions or posting replies. Impolite language will not be tolerated. The lecturer reserves the right to ban students who use inappropriate/impolite language from using the Discussion Board.

Note that the Discussion Board is different to the Online Tutor in that only your lecturer or the designated online tutor can respond to questions. If you have a question that you want to ask your lecturer or tutor, please use the Online Tutor rather than the Discussion Board.
FBE Centre for Excellence in Learning and Teaching

The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics. Maximise your academic success by taking part in CELT services that develop:

- Skills in research, referencing and academic writing
- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

The Centre also provides an extensive range of helpsheets that can enhance your academic performance in Business and Economics. These are available online or at the Centre.

Visit the CELT site www.fbe.unimelb.edu.au/celt to learn more and get involved.
References


