Subject outline

This subject introduces students to empirical research demonstrating economically important patterns of behaviour that violate standard rationality assumptions, and to theoretical research aimed at capturing these behavioural patterns in tractable models. Most of the semester will be devoted to behavioural aspects of individual decision making, such as temptation and present-biased preferences, prospect theory, reference-dependent preferences, and procedural rationality. We will also cover behavioural public economics and subjective well-being research.

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, which in addition to the design of experiments also covers behavioural aspects of strategic interaction.

Learning outcomes

Students will learn to

- explain behavioural patterns uncovered in behavioural economics and how they relate to standard economics assumptions.
- explain formal models developed by behavioural economists to tractably capture such findings.
- valuate the contribution of behavioural economics to economic knowledge.

General skills

The subject will involve the following general skills:

- High level of development: written communication; application of theory to practice; critical thinking; synthesis of data and other information; evaluation of data and other information.
• Moderate level of development: oral communication; problem solving; interpretation and analysis; accessing data and other information from a range of sources; receptiveness to alternative ideas.

• Some level of development: collaborative learning; team work; statistical reasoning; use of computer software.

Prerequisites

This subject has one prerequisite: 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

Your lecturer and subject coordinator is Dr. Guy Mayraz.

Room  FBE 413
Email  guy.mayraz@unimelb.edu.au
Phone  03 9035 8141
Office hours  Thursday 9:00-10:00

Your tutor is Edwin Ip

Email  e.ip@student.unimelb.edu.au
Office hours  Thursday 16:00-17:00

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 endeavour 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

Thursday 10:00-12:00  The Spot: Level 1 Lecture Theatre

Tutorials

Thursday 12:00–13:00  David Caro: Podium 206
Thursday 13:00–14:00  David Caro: Podium 209
Thursday 14:15–15:15  The Spot: 2017

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

Lecture schedule

Week 1  Introduction
Week 2-4  Temptation
Week 5-6  Risk
Week 7  Reference-dependence
Week 8  Beliefs
Week 9  Procedural rationality
Week 10-11  Subjective well-being
Week 12  Behavioural insights

Temptation: We will discuss self-control and related issues such as pro-
crastination, and cover the relevant behavioural models, including the
hyperbolic discounting model and the Gul Pesendorfer model of tempta-
tion.
Risk: We will discuss some of the most important evidence, such as the certainty effect and small-scale risk aversion, show that it conflicts with standard theory, and show how Prospect Theory can account for the evidence.

Reference-dependence: How choices depend not only on the possible outcomes, but also on a reference, such as the status-quo or a person’s expectations of the outcome.

Beliefs: Over-confidence / over-optimism and other biases in probability judgment.

Procedural rationality: We will discuss evidence that people make choices by following procedures that are inconsistent with any form of utility maximization (including "behavioural" utility-functions), and how this casts doubt on the idea of revealed preferences.

Subjective well-being: We will discuss the emerging field of studying people’s happiness, cover the major findings, and evaluate its significance for welfare economics.

Behavioural Insights: We will discuss how public policy is changing in response to behavioural economics insights.

Lecture slides
Lecture slides will be placed on the LMS page for this subject prior to each lecture. Lecture Capture videos will be posted following the lectures.

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 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**

A 2-hour end-of-semester examination (65%), assignments equivalent to 2500 words (20%), tutorial presentation (10%), and class participation (5%).

**Assignments**

Assignments are due in weeks 4, 6, 8, and 10. Students are authorised to work on the assignments in groups, but must submit their assignments individually. Solutions will be published on LMS following the lecture.

**How to submit assignments**

Assignments must be submitted by the start of the lecture on the week in which they are due. Assignments can be handed in to the tutor or lecturer, emailed to the tutor, or submitted using the LMS assignment tool.

**Late Submission**

We are unfortunately unable to receive late submissions. Students who fail to submit an assignment on time will receive a zero grade on that assignment.
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 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 hard copy format.¹

Tutorial presentation

A number of behavioural economics empirical papers have been selected for students to present. The list of papers and the logistics of presentations would be explained in the tutorial.

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 website for more information.²

The examination period for semester 2014 is Monday 3 November to Friday 21 November.

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

²http://fbe.unimelb.edu.au/csc/assistance/special_consideration
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.

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.

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

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4The 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](http://fbe.unimelb.edu.au/csc/assistance/special_consideration)

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.

Recommended readings

The following survey articles and books are recommended as a general reading. See the reference list for full bibliographic details.

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


- The winner’s curse: Paradoxes and anomalies of economic life (Richard 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’ (R. H. Thaler, 1988).

- Behavioural 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 (Daniel 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.

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

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

Behavioural economics textbooks

Some students may wish to consult a textbook alongside the lectures. Please note, however, that these textbooks cannot be used as a substitute for the lectures, tutorials, and required readings.

• Introduction to Behavioural Economics (Wilkinson and Klaes, 2012).

• Behavioural Economics (Cartwright, 2011)

• A Course in Behavioral Economics (Angner, 2012).

• Introduction to Behavioural Economics (Just, 2014).

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 help sheets 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](http://www.fbe.unimelb.edu.au/celt) to learn more and get involved.
References


