

Schwerpunktmodul Behavioral Economics (SS 20)

Lecturer: Felix Kölle, Ph.D.

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Office hour: upon agreement

Course Overview

The aim of this course is to introduce students to the field of Behavioral Economics. By enriching the traditional economic model with an empirically more accurate foundation of human behavior, Behavioral Economics aims at improving the predictive power of economic models and the resulting policy recommendations. In this course, we will discuss the psychological foundations of human behavior and their economic implications. We will present the empirical regularities that have inspired the development of Behavioral Economics, analyze the key theoretical models that have been brought forward, and discuss a number of applications where insights from Behavioral Economics have contributed to a better understanding of individual behavior and market outcomes. Topics include (among others):

- Choices under risk and uncertainty
- Fairness and social preferences
- Reference-dependent preferences and loss aversion
- Present-biased preferences and limited self control

Prerequisites

Good knowledge in microeconomics and game theory.

Format

The Schwerpunktmodul Behavioral Economics consists of a lecture with integrated exercises (14289.0300) and a seminar (14289.0301 or 14289.0303). All courses will be taught in English.

Important: You need to pass both the lecture and a seminar in order to complete the Schwerpunktmodul. The registration for the seminar and the lecture take place separately. Please make sure you are registered for both in order to pass the module.

Exam

Lecture: For the lecture there will be a written exam (60 minutes) covering the topics discussed in class and the exercise.

Seminar: For the seminar you will need to hand in a written report (5 pages) and give a 20 minutes presentation about a topic of your choice (see below). The written report counts 60% and the presentation counts 40% for your final grade.

Important: Please note that you have to separately register for the exams of the lecture and the seminar. Being registered for the course or the seminar itself is not enough. Please make sure you register within the given registration period.

Dates & Times

Lecture: The lecture and the exercise will take place in the first half of the semester. The exact dates are:

- Fri 17/04, 14:00-17:30, HS V, Hauptgebäude
- Fri 24/04, 14:00-17:30, HS V, Hauptgebäude
- Fri 08/05, 14:00-17:30, HS V, Hauptgebäude
- Fri 15/05, 14:00-17:30, HS V, Hauptgebäude
- Fri 22/05, 14:00-17:30, HS V, Hauptgebäude

Exam dates:

- 1st exam: Fri 26/06, 10am, HS XIII (Hauptgebäude)
- 2nd exam: Fri 25/09, 11am, HS XIII (Hauptgebäude)

Seminar:

Please note that there are two different seminar groups you can choose from. These are separate courses in KLIPS. One group will be supervised by Dr. Felix Kölle (14289.0301) and the other group will be supervised by Dr. Matthias Praxmarer (praxmarer@coll.mpg.de)(14289.0303). The topics of the two groups, however, will be similar.

- 29/05, 6pm: Deadline for submitting your preferences about topics of the seminar (via email).
- 05/06: Allocation of topics to students.
- Student presentations will take place on two days.
- Group Kölle (14289.0301):
 - Thu 06/08, 09:00-15:00, Room S11, Seminargebäude

- Fri 07/08, 09:00-15:00, Room S11, Seminargebäude
- Group Praxmarer (14289.0303):
 - Sat 15/08, 09:00-15:00, Seminarraum 241, Wisoschlauch
 - Sat 22/08, 09:00-15:00, Seminarraum 241, Wisoschlauch
- 30/09, 6pm: Deadline for submitting your written report.

Organizational Matters

The materials for the lecture and the exercise will be provided on ILIAS. I will do my best to provide the materials at least a few days before the lecture.

The best way to contact me is via email. I will do my best to answer emails as soon as I receive them, but it is not always possible.

For the seminar, you will need to pick one topic out of a list of topics we provide. Each topic will be assigned one research paper published in an academic journal. Your assigned paper should be the main focus of both your presentation and your report. However, you are free to search for other papers that relate to your topic and include them into your report and presentation (a good starting point for finding these papers is to go through the bibliography of your assigned paper and to use Google Scholar (or any other search engine) to check which other studies cite your assigned paper).

We will assign topics based on your stated preferences. Therefore, we ask you to send us your three most preferred topics (ranked 1st, 2nd, and 3rd) via email. We will try to accommodate as many preferences as possible. In case it is not possible to serve everyone's preferences, or in case you did not submit any preferences, you will be assigned one of the remaining topics at random.

All presentations and reports need to be done in English. In the following, we provide you with some more details about both parts.

Written report:

- The page limit for your report is 5 pages. We recommend the following rough structure (but different questions/topics might require different structures so please take this only as a rough guideline rather than a strict rule):
 1. General introduction into the topic. What is the topic about? Why is this (economically and socially) important? What are relevant real-world applications? (~ 1 page)
 2. What is your assigned paper about? What is the exact research question? How did the authors try to answer the question at hand? What did the authors find? What are their main results? Tip: You don't have to report every single result that is described in your assigned paper. You should only focus on the ones that you judge important and leave out the unimportant ones. (~ 2-3 pages)

3. What are the conclusions that can be drawn from your paper? What are potential applications? In which other areas of the social life could the same behavioral mechanism affect behavior? Here you can be creative and think "out of the box" and/or refer to other related papers. (~ 1-2 pages)
- You can submit your report in electronic form, but please make sure to add and sign the "eidesstattliche Erklärung" at the end of your report.
 - For the page limit, the following rules apply:
 - Left, right and top margin = 2.5cm, bottom margin = 2cm
 - If you write your paper in Word, you should use Times New Roman 11pt, 1.5 spacing.
 - If you write your paper in L^AT_EX, you should use the default font, 11pt and use the package `setspace` with the command `\setstretch{1.45}`

Presentation:

- For your presentation you will have 20 minutes time plus an additional 5 minutes for open discussion among the whole group.
- The structure of the presentation should roughly follow the one of the essay.
- We will provide a computer, a beamer, and a presenter in case you want to use slides (Power Point, L^AT_EX, PDF). Please make sure to send us your presentation before the start of the seminar.

Literature

Here we provide you with some references to books and overview articles that you might find interesting as a starting point into behavioral economics. Some of the topics covered in these texts will be also discussed in class.

- **Kahneman, D., and Tversky, A.** (1984). Choices, Values, and Frames.
- **Camerer, C. F., Loewenstein, G., and Rabin, M.** (2003). Advances in behavioral economics. *Princeton University Press*
- **Rabin, M.** (1998). Psychology and economics. *Journal of Economic Literature*, 36(1), 11-46.
- **Della Vigna, S.** (2009). Psychology and economics: Evidence from the field. *Journal of Economic literature*, 47(2), 315-72.