

Economics & Psychology

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Content

Why do people volunteer and donate to charitable causes? Why do they engage in costly punishment of unfair and anti-social behavior? Why do we often eat unhealthy food, exercise too little, and struggle with completing important tasks in a timely manner? Why do most people think that they are better-than-average drivers, entrepreneurs, lovers, ... ? From the perspective of conventional economic theory, these questions are difficult to explain. Economics & Psychology (aka Behavioral Economics) is an attempt to shed light on these and other puzzling phenomena. By enriching the traditional economic model with a psychologically more accurate foundation of human behavior, Economics & Psychology 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 Economics & Psychology have contributed to a better understanding of individual behavior and market outcomes.

Prerequisites

- A thorough knowledge of microeconomic theory and econometrics are required.
- Ideally, students should also have basic knowledge of experimental methods in economics.

Classes

Classes take place on Mondays from 10:00 – 12:00 (Hörsaal 317) and from 14:00 – 14:00 (Hörsaal 317). Classes consist of lectures and accompanying discussion of in-class and take-home exercises.

Course Topics and Preliminary Reading List

A detailed syllabus with required readings will be provided in the beginning of the course.

The following overview article provides a valuable introduction to the course topics:

- Thaler, Richard H. "Behavioral Economics: Past, present, and future." *American Economic Review* 106.7 (2016): 1577-1600.
<https://pubs.aeaweb.org/doi/pdf/10.1257/aer.106.7.1577>

You can also check out the following lecture by the 2017 Nobel laureate Richard Thaler:

<https://www.youtube.com/watch?v=AIM9VSgsSW4>