## Behavioral Economics

### Contents & Objectives:
Behavioral economics refers to the field of research which, inspired by numerous documented deviations from the rational behavior assumed in neoclassical analysis, tries to improve the psychological realism of the idea of man in economics by incorporating insights from psychology into traditional economic analysis. In this course students will become familiar with several of the most influential behavioral-economic theories of individual and strategic decision making, which allows to explain a plethora of empirically documented deviations from the neoclassical model. These include departures from the assumptions of selfishness, time consistency, as well as rationality and rational expectations. The discussed behavioral-economic theories usually contain the neoclassical standard model as special case and therefore are to be considered as extensions of rather than alternatives to the neoclassical model. While the focus of this lecture is on theories of individual decision making, we will explore the implications of these theories also in the context of market settings and economic games.

After completing the course students will have gathered experience in
- reading and understanding theoretical or experimental research articles,
- critically analyzing and discussing the results of research articles,
- relating the results of different research articles to each other,
- conveying their insights in accordance with common scientific standards.

### Prerequisites:
All necessary ideas and concepts will be introduced and discussed throughout the course. Nevertheless, as behavioral economics represents an extension of the neoclassical model, a solid understanding of the latter will be helpful. In consequence, students who completed advanced classes in microeconomics or game theory will most likely benefit most from this course.

### Course Structure:
Representative topics include:
- Non-expected utility theories for choice under risk
- Behavioral game theory
- Social preferences, inequity aversion
- Time inconsistency and self-control
- Reciprocity
- Bounded rationality

### Literature:
While the exposition is primarily based on research articles, some topics of the lecture can be reviewed in the following textbooks:
- Wakker (2010): “Prospect Theory for Risk and Ambiguity”

### Grading:
Written exam (60 min.)

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