GEORG-AUGUST-UNIVERSITÄT GÖTTINGEN

Courses taught in English at the Faculty of Economic Sciences

Module No.: M.WIWI-VWL.0080 **Title:** Behavioral Economics: Theory and Experimental Methods	**Credits:** 6
Course Content: This master course is divided into two parts. The first part deals about behavioral-economic theory, demonstrating how behavioral economics extends the standard micro-economic theory. Here, students are presented to classical choice anomalies. In this context the lecture concentrates on decision under uncertainty. The students will get a profound understanding how Kahneman and Tversky's (1979) Prospect Theory may serve as alternative theory for decision under uncertainty. The lecture also covers parts of behavioral-game theory, to demonstrate how experiments may be used to test game-theoretical models. Finally, the course will show how fairness issues may affect decision making. Here it covers the inequality-aversion model by Fehr and Schmidt (1999) to show how social preferences such as inequality aversion can be modelled. In the second part students will get a precise understanding about the usage and appropriate design of economic experiments. Especially, they will acquire the knowledge to set up experiments based on existing research questions. Here, we will discuss state-of-the-art experimental work horses and statistical techniques to set up and analyze experiments. The lecture will take place once a week. It will alternate with an exercise course. The grading will be based on a final exam at the end of the semester. Lecture part one: 1. Introduction: What is Behavioral Economics 2. Behavioral Decision Theory 2.1 Expected Utility Theory 2.2 Classical Anomalies 2.3 Prospect Theory 2.4 Mental Accounting 3. Behavioral Game Theory 3.1 Nature of Behavioral Game Theory 3.2 Equilibrium Concepts 3.3 Iterated Dominance Games 4. Social Preferences 4.1 Empirical Evidence 4.2 Cooperation and Altruism	**Course Type:** Lecture (2 WLH)

4.3 Trust and Reciprocity 4.4 Inequality Aversion Lecture part two: 5. Basics of Experimental Methods 5.1 Introduction 5.2 Design and Conduction of Experiments 5.3 Experimental Work Horses 6. Experimetrics 6.1 Organizing Lab Data 6.2 Empirical Analysis of Lab Data	

Recommended Prerequisites: Microeconomics Game Theory	**Exam:** Written exam (90 min.)
Recommended Semester: MA 1-4	**Cycle:** regular
Literature: Angnar, E. (2012). A course in behavioral economics. Palgrave-McMillian. Wilkinson, N. & Klaes, M. (2012). An introduction to behavioral economics. Palgrave-McMillian. Shefrin, H. (2002). Beyond greed and fear: Understanding behavioral finance and the psychology of investing. Oxford University Press. Ackert, L., and Deaves, R. (2009). Behavioral finance: Psychology, decision-making, and markets. Cengage Learning. Camerer, C. (2003). Behavioral Game Theory: Experiments in Strategic Interaction. Princeton University Press. Camerer, C., Loewenstein, G., Rabin, M. (2004). Advances in Behavioral Economics. Princeton University Press. Smith, V. & Plott, C. (2008): Handbook of Experimental Economic Results. North Holland.	**Lecturer:** Jun.-Prof. Dr. Holger A. Rau