



**London
South Bank
University**

EST 1892

Module Guide

Behavioural Economics

BBS_6_BEC

School of Business

Accounting, Finance and Economics

Level 6

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1. Module Details

Module Title:	Behavioural Economics
Module Level:	Level 6
Module Reference Number:	BBS_6_BEC
Credit Value:	20
Student Study Hours:	140
Contact Hours:	60
Pre-requisite Learning (If applicable):	None
Co-requisite Modules (If applicable):	None
Course(s):	BSc Economics
Year and Semester	Semester 2 19/20
Module Coordinator:	Dr Mark Winter
MC Contact Details (Tel, Email, Room)	Winterm2@lsbu.ac.uk 020 7815 7758 Business school building level 2
Teaching Team & Contact Details (If applicable):	None
Subject Area:	
Summary of Assessment Method:	100% Coursework
External Examiner appointed for module:	Dr Satish Sharma

2. Short Description

The module examines the psychological underpinnings of economic behaviour and investigates recent theories and empirical findings in behavioural economics. The module enables students to scrutinise economic theory from a behavioural perspective, develop an understanding of how real people actually make decisions and highlight occasions where traditional economics predicts actual choices correctly and instances where it does not. Students will be introduced to recent behavioural theories that have emerged to explain the empirical observations, and will discuss the implications for economics, business and politics.

3. Aims of the Module

The module aims to develop students' knowledge and understanding of economic decision making by emphasising how psychological and experimental findings have shaped contemporary economic models. It reviews alternative theories of risk-taking behaviour and identifying the most important biases in information processing that affect ability of agents to reach rational decisions. The module covers the rationality and irrationality of consumers and other economic agents and social and cultural influences on behaviours. It examines the psychological mechanisms of individuals' social and economic behaviours, and how do society and the economy act on the psychology of individuals?

4. Learning Outcomes

4.1. Knowledge and Understanding

- Demonstrate a clear understanding of the key issues, theoretical ideas, main models and key insights from behavioural economics.
- Demonstrate an understanding of errors in human judgment.
- Understand how behavioural economics can bring additional analytical insights to real world problems.

4.2. Intellectual Skills

- Show why the standard assumptions made in economics may not always provide satisfactory explanations.

4.3. Practical Skills

- Justify conclusions using economic arguments with appropriate rigour

4.4. Transferable Skills

- Communicate effectively and clearly in written and oral formats

5. Assessment of the Module

Students will carry out a case study, which will be assessed by Coursework (100%)

- In-class Experimental (50%): Short report along with design and running of economic experiment
- Coursework (50%): 2,500 – 3,000 word researched report

6. Feedback

Feedback will normally be given to students 15 working days after the final submission of an assignment or as advised by their module leader.

General feedback, applying to all students, will also be placed on the module VLE site within 15 working days.

7. Introduction to Studying the Module

7.1. Overview of the Main Content

The syllabus will cover both theory and application of Behavioural Economics. It will typically include topics such as:

- Rational economics and irrational behaviour.
- Judgement, heuristics and bias; bounded rationality; bounded self-interest; bounded willpower; risk.

- Prospect Theory: decision making under uncertainty
- Too much information, too many choices: the curse of knowledge.
- The relationship between choice utility and subjective well-being
- Boom, bust and bubbles: greed and fear; irrational exuberance vs manic depression; herds and heuristics: are markets efficient or emotional?
- Economics of Happiness
- Strategic thinking (step thinking, theory of mind)
- Implications for public policy: new paternalism; libertarian paternalism; nudges; framing; choice architecture; choice editing; smart defaults

7.2. Overview of Types of Classes

One two hour lecture per week will provide the framework for the area of study. These will be accompanied by a two hour weekly seminar to enable students to practically use the knowledge gained in the lectures.

7.3. Importance of Student Self-Managed Learning Time

Student responsibility in the learning and development process will be emphasised. Students are required to undertake directed self-study and prepare solutions/discussions to questions relative to various topic areas. Students will be encouraged to identify for themselves particular problems of difficulty and to use seminar discussions, where appropriate, for the resolution of these. Students must regularly access the Moodle site for this module. They should download the class/lecture material from the Moodle site, and do the recommended reading, before each lecture/class.

Where appropriate, students are also expected to download the relevant seminar questions and study them in advance of each seminar, in order to derive maximum benefit from seminar time. The programme of teaching, learning and assessment gives guidance on the textbook reading required for each week, the purpose of which is to encourage further reading both on and around the topic.

7.4. Employability

The module enables students to understand the implication of human behaviour, emotional biases and economic psychology for decision making, and therefore problem solving, in uncertain environments. The knowledge acquired will help students to analyse theoretical models with the underlying assumption of rationality which is relevant to employers.

8. [The Programme of Teaching, Learning and Assessment](#)

Week	Topic
1	Rationality, Normal Form Games & Pure Strategies
2	Extensive Form Games, Backwards Induction & Decision Making Under Uncertainty
3	Mixed Strategies & Randomness
4	Rational Economic Theories in the world: An Introduction to Political Economics, industrial organisations, the tragedy of the Commons and Parenting

5	Experimental Economics: Testing Rationality
6	Experimental data results: The strengths and limits of data methods
7	Experimental Essay discussion
8	Bounded Rationality & Level- K Thinking
9	Behavioural Economics: A History
10	Economics of Happiness and utility analysis
11	Edowment effect and loss aversion
12	Nudge Theory and public policy

9. [Student Evaluation](#)

Student evaluation will be undertaken using the Module Evaluation Questionnaire (MEQ).

[Learning Resources](#)

Core Reading:

Osborne, M (2000). An Introduction to Game Theory	(PDF provided on Module Page)
Frechette, G and Schotter, A (2015). The handbook of experimental economic method	(online copy in LSBU library)

Additional Reading:

- Osborne, M and Rubinstein A (1994). A Course in Game Theory (PDF provided on Module Page)
- Thaler, R (2015). Misbehaving: The Making of Behavioural Economics
- Kahneman, Daniel. Thinking, Fast and Slow. London: Penguin
- Thaler, Richard H & Sunstein, Cass R. Nudge: Improving Decisions About Health, Wealth, and Happiness. Penguin
- Wilkinson, Nick and Klaes, Matthias. An Introduction to Behavioural Economics. 2nd Edition. Palgrave Macmillan