



COURSE DESCRIPTION CARD - SYLLABUS

Course name

BEHAVIORAL ECONOMICS AND BEHAVIORAL FINANCE

Course

Proposed by Discipline

Management and quality studies

Type of studies

Doctoral School

Form of study

full-time

Year/Semester

II/4, III/6

Course offered in

English

Requirements

elective

Number of hours

Lecture

4

Tutorials

-

Projects/seminars

-

Number of credit points

1

Lecturers

Responsible for the course/lecturer:

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60-965 Poznan, Poland

Responsible for the course/lecturer:



Prerequisites

Knowledge: Basic knowledge of micro- and macroeconomics

Skills: The ability to search and interpret sources of economic information.

Social competencies:

The competence to solve decision making economical problems with use of knowledge of classical (main stream) economics.

Course objective

This course will examine basic assumptions of Behavioral Economics, especially about human behavior common in economics (people are purely self-interested; can do statistics really well; have preferences only over final outcomes; exponentially discount the future; have well-defined and stable preferences). It will investigate how these assumptions came to be, their benefits and shortcomings, and how understanding psychology can lead to better assumptions, and more realistic economic models. The aim of the course is also to provide students with the knowledge about basic problems of Behavioral Finance (a subdiscipline of Behavioral Economics).

Course-related learning outcomes

Knowledge

A PhD student who graduated from doctoral school knows and understands:

- 1) [P8S_WG/SzD_W01] to a degree enabling the revision of existing paradigms – the world achievements, including theoretical foundations and general issues and selected specific issues – appropriate for the scientific disciplines in which education is conducted at the doctoral school;
- 2) [P8S_WG/SzD_W02] the methodology of scientific research in the disciplines represented at the doctoral school, especially – methodology of neoclassical and behavioral economics;
- 3) [P8S_WG/SzD_W03] the principles of disseminating the results of scientific activity, including open access;
- 4) [P8S_WG/SzD_W04] fundamental dilemmas of contemporary civilization;
- 5) [P8S_WK/SzD_W05] economic, legal, ethical, and other significant conditions of scientific activity;
- 6) [P8S_WK/SzD_W06] basic principles of knowledge transfer to the economic and social spheres and the commercialization of scientific activity results and related know-how.

Skills

A PhD student who graduated from doctoral school can:

- 1) [P8S_UW/SzD_U01] conduct critical analysis and evaluation of scientific research results, expert activities, and other creative works and their contribution to knowledge development;
- 2) [P8S_UW/SzD_U02] transfer the results of scientific activity to the economic and social spheres;
- 3) [P8S_UW/SzD_U03] disseminate the results of scientific activity, including in popular forms;
- 4) [P8S_UK/SzD_U04] initiate debates;
- 5) [P8S_UK/SzD_U05] participate in scientific discourse;
- 6) [P8S_UK/SzD_U06] use English at a level of at least B2 of the Common European Framework of Reference for Languages, enabling participation in the international scientific and professional community.



Social competencies

A PhD student who graduated from doctoral school is ready to:

- 1) [P8S_KK/SzD_K01] critically evaluate their contribution to the development of the scientific discipline;
- 2) [P8S_KK/SzD_K02] acknowledge the importance of knowledge in solving cognitive and practical problems;
- 3) [P8S_KK/SzD_K03] fulfill social obligations of researchers and creators;
- 4) [P8S_KO/SzD_K04] think and act entrepreneurially;
- 5) [P8S_KO/SzD_K05] uphold and develop the ethos of research and creative communities, including: - conducting scientific activities independently - respecting the principle of public ownership of scientific activity results, considering intellectual property protection principles.

Methods for verifying learning outcomes and assessment criteria

Learning outcomes presented above are verified as follows:

PQF code	Methods for verification of learning outcomes	Assessment criteria
W01, W02, W03, W04, W05, W06	Preparation of an essay on a given subject from the Behavioral Economics and Behavioral Finance.	1. Participation in lectures 2. Qualitative assessment of the essay (minimum 70 out of 100 possible points to receive a positive note)
U01, U02, U03, U04, U05, U06	Preparation of an essay on a given subject from the Behavioral Economics and Behavioral Finance.	1. Participation in lectures 2. Qualitative assessment of the essay (minimum 70 out of 100 possible points to receive a positive note)
K01, K02, K03, K04, K05	Preparation of an essay on a given subject from the Behavioral Economics and Behavioral Finance.	1. Participation in lectures 2. Qualitative assessment of the essay (minimum 70 out of 100 possible points to receive a positive note)

Programme content

The course provides students with the knowledge about basic problems of Behavioral Economics and Behavioral Finance (a subdiscipline of Behavioral Economics), such as biases and heuristic which impact decision making process, as well as psychology of investors and anomalies on financial markets.



Course topics

1. Introduction of Behavioral Economics
2. Rationality vs. Bounded Rationality
3. Emotions and Economics
4. Model of rational individual decision-making
5. Standard economic models and their weaknesses
6. Prospect Theory
7. Perception and Assessment Errors, Biases in Judgment
8. Intertemporal Decision Making, Sunk cost fallacy
9. Heuristics and framing
10. Social Preferences
11. Problems of self-control
12. Behavioral incentives („nudges”)
13. Basic issues of Behavioral Finance – overview
14. Efficient Market Hypothesis and its criticism in Behavioral Finance
15. The psychology of investors (disposition effect, myopic loss aversion, naive diversification)
16. Behavioral Explanations of financial crisis

Teaching methods

- Problem-based lecture
- Informative (conventional) lecture

Bibliography

Basic

1. Kahneman, D. (2013) Thinking fast and slow, Farrar, Straus and Giroux.
2. Thaler, R.; Sunstein, C. (2009) Nudge: Improving Decisions About Health, Wealth, and Happiness, Penguin Books.
3. Thaler, R.; Sunstein, C. (2009) Nudge: Improving Decisions About Health, Wealth, and Happiness, Penguin Books Revised & Expanded edition.
4. Guala F. and Mittone L. (2005). Experiments in economics: External validity and the robustness of phenomena. *Journal of Economic Methodology*, 12(4), 495-515.
5. Rabin M. (1998). Psychology and economics. *Journal of Economic Literature*, 36(1), 11-46.4.
6. Loewenstein G. (2000). Emotions in Economic Theory and Economic Behavior. *American Economic Review*, 90(2),5, 426-432.

Additional

1. Kahneman, D. (Editor), Slovic, P. (Editor), Tversky, A. (Editor) (1982), *Judgment Under Uncertainty: Heuristics and Biases*, Cambridge University Press.
2. Ariely, D. (2010) *Predictably Irrational*, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions.
3. Harper Perennial; Revised and Expanded ed. edition.
4. Duhigg, Ch. (2014) *The Power of Habit: Why We Do What We Do in Life and Business*; Random House Trade.



5. Dowling J.M. Yap Ch-F. (2007) Modern Developments In Behavioral Economics: Social Science Perspectives On Choice and Decision Making.

Breakdown of average student's workload

	Hours	ECTS
Total workload	25	1,0
Classes requiring direct contact with the teacher	4	0
Doctoral student's own work (literature studies, preparation for tutorials, project preparation) ¹	21	1,0

¹delete or add other activities as appropriate