ISM UNIVERSITY OF MANAGEMENT AND ECONOMICS

APPROVED BY
THE STUDY COMMISSION
Minutes No. 02-12-2025-02
as of 16th January 2025

# BEHAVIORAL ECONOMICS

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| **Course code** | *ECO134* |
| **Compulsory in the programs** | *Elective* |
| **Level of studies** | *Undergraduate* |
| **Number of credits and hours** | *6 ECTS (48 contact hours + 2 consultation hours + 2 hours of examination, 110 individual work hours)* |
| **Course coordinator** | *Nomeda Lisauskienė* |
| **Prerequisites** | *Basic knowledge of Microeconomics and Game Theory* |
| **Language of instruction** | *English* |

**THE AIM OF THE COURSE:**

Behavioral economics explores how psychological, emotional, cognitive, and social factors shape economic decisions, leading to deviations from the traditional models of rational decision-makers. By challenging standard economic theories, this field offers a more nuanced understanding of human decision-making. In this course, students will review key concepts such as heuristics, biases, prospect theory, intertemporal choice, behavioral game theory, social preferences, and choice architecture, focusing on nudging. Theoretical insights will be complemented by empirical research, using tools from experimental economics and policy analysis. Students will engage in hands-on projects, designing behavioral experiments, analyzing case studies, and conducting data-driven exercises to explore real-world economic behavior and its deviations from rational choice models. They will also learn how behavioral insights can be applied to public policy and economic challenges through tools like choice architecture and nudging (e.g. automatic enrolment in retirement plans, default setting in organ donation, initiatives to promote energy savings, healthier consumer choices, etc). By the end of the course, students will have gained a solid foundation in behavioral economics and will be equipped to apply behavioral insights to improve decision-making and policy outcomes, both in academic and practical contexts.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES, ASSESSMENT AND TEACHING METHODS**

| Course level learning outcomes (objectives) | Degree level learning objectives (ELO) | Assessment methods | Teaching methods |
|---|---|---|---|
| CLO1. Define and explain the core principles and concepts of behavioral economics. | ELO1.1. ELO4.1. | Midterm test, presentations during seminars, final exam | Lectures, seminars, individual study, group work |
| CLO2. Understand and apply experimental methodologies used in behavioral economics research. | ELO1.1. ELO2.1. | | |
| CLO3. Apply behavioral economics principles to analyze and interpret real-world economic phenomena. | ELO1.1. | | |
| CLO4. Critically evaluate economic models and theories from a behavioral perspective. | | | |
| CLO5. Analyze how individuals make economic decisions, incorporating insights from psychology and behavioral economics. | | | |
| CLO6. Understand heuristics, biases, and other psychological factors influencing decision-making. | ELO1.1. ELO2.1. | | |
| CLO7. Apply behavioral insights to propose innovative solutions to economic challenges. | | | |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. Regarding remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

**COURSE OUTLINE**

| Topic | In-class hours | Readings |
|---|---|---|
| 1. Rational choice under certainty | 4 | Angner, Chapter 2 |
| 2. Decision-Making under certainty | 4 | Angner, Chapter 3 |
| 3. Judgment under risk and uncertainty | 8 | Angner, Chapters 4 and 5 |
| 4. Choice under risk and uncertainty | 8 | Angner, Chapters 6 and 7 |
| 5. Intertemporal choice | 8 | Angner, Chapters 8 and 9 |
| 6. Behavioral game theory and social preferences | 4 | Angner, Chapters 10 and 11 |
| 7. Behavioral policies | 8 | Thaler and Sunstein, TBA |
| 8. Experimental economics | 4 | TBA |
| | Total: 48 hours | |
| CONSULTATIONS | 2 | |
| FINAL EXAM | 2 | |

**FINAL GRADE COMPOSITION**

| **Type of assignment** | **%** |
|---|---|
| *Group Components 15%* | |
| Seminar presentations | 20 |
| *Individual Components 85%* | |
| Midterm test | 35 |
| Final exam | 45 |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

1. **Midterm test**
The mid-term test will cover the topics 1-3 and part of Topic 4. All materials from the relevant lectures and seminars are included in the midterm exam. This test contributes **35%** to the final grade.

2. **Presentations during the seminars**
Students will be required to present on a specific topic or case. Detailed information on topics, schedules, and presentation requirements will be provided during classes. Presentations account for **20%** of the final grade.

3. **Final exam**
The final exam will cover all topics except those included in the midterm test and will count for **45%** of the final grade. It tests conceptual and analytical skills. All materials from the relevant lectures and seminars are included in the final exam.

**RETAKE POLICY**

In case of a negative final grade, students are allowed a **re-sit final exam**. It will cover all course material. The weight of a re-sit is **80%.** Presentation cannot be retaken but its evaluation (if positive) is not annulled.

**REQUIRED READINGS**

(1) Angner, Eric; A Course in Behavioral Economics, 3rd Ed: 2021
(2) Thaler, R. and Sunstein, C. (2009) Nudge: Improving decisions and health, wealth and happiness, Penguin Books

**ADDITIONAL READINGS**

Additional articles and readings will be announced and made available during the course.

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**ANNEX**

## DEGREE LEVEL LEARNING OBJECTIVES

**Learning objectives for the Bachelor of Business Management**
*Programmes:*
*International Business and Communication,*
*Business Management and Marketing,*
*Finance,*
*Industrial Technology Management,*
*Entrepreneurship and Innovation*

| Learning Goals | Learning Objectives |
|---|---|
| Students will be critical thinkers | BLO1.1. Students will be able to understand core concepts and methods in the business disciplines |
| | BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions |
| Students will be socially responsible in their related discipline | BLO2.1. Students will be knowledgeable about ethics and social responsibility |
| Students will be technology agile | BLO3.1. Students will demonstrate proficiency in common business software packages |
| | BLO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| | BLO4.2. Students will be able to convey their ideas effectively through an oral presentation |
| | BLO4.3. Students will be able to convey their ideas effectively in a written paper |

**Learning objectives for the Bachelor of Social Science**
*Programmes:*
*Economics and Data Analytics,*
*Economics and Politics*

| Learning Goals | Learning Objectives |
|---|---|
| Students will be critical thinkers | ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines |
| | ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements |
| Students will have skills to employ economic thought for the common good | ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving |
| Students will be technology agile | ELO3.1. Students will demonstrate proficiency in common business software packages |
| | ELO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| | ELO4.2. Students will be able to convey their ideas effectively through an oral presentation |
| | ELO4.3. Students will be able to convey their ideas effectively in a written paper |