

BEHAVIORAL ECONOMICS

Course code	<i>ECO134</i>
Compulsory in the programs	<i>Elective</i>
Level of studies	<i>Undergraduate</i>
Number of credits and hours	<i>6 ECTS (48 contact hours + 2 consultation hours + 2 exam hours, 110 individual work hours)</i>
Course coordinator	<i>Dr. Nomeda Lisauskienė</i>
Prerequisites	<i>None</i>
Language of instruction	<i>English</i>

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. In this course, students will review key concepts such as heuristics, biases, prospect theory, intertemporal choice, behavioral game theory, social preferences, and choice architecture with an emphasis on nudging. Theoretical insights will be complemented by empirical research, using tools from experimental economics and policy analysis. The course also examines the growing intersections between behavioral economics and technology, including AI-driven nudges, algorithmic personalization, and machine-learning tools used in experimental research.

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 settings 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 and experimental methods, including AI-enhanced tools, 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 policies	8	Thaler and Sunstein, Chapters 4, 5, 6
7. Behavioral game theory and social preferences	4	Angner, Chapters 10 and 11
8. Experimental economics	4	Guala, Chapters 2, 3, 4, 7, 9
	Total: 48 hours	
CONSULTATIONS	2	
FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	%
<i>Group Components 20%</i>	
Seminar presentations	20
<i>Individual Components 80%</i>	
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.

Assessment requirements, procedures, and other important regulations may be communicated verbally during lectures. Failure to attend a lecture where such information is provided does not exempt the student from the responsibility to comply with these requirements.

RETAKE POLICY

Students who receive a failing final grade shall have the right to retake the examination. The retake will comprise 80% of the final grade and will cover all topics of the course. Upon retaking, the results of the midterm and final exams will be annulled. Presentation cannot be retaken, but its evaluation (if positive) is not annulled.



REQUIRED READINGS

- (1) Angner, Eric (2021). A Course in Behavioral Economics (3rd ed). Red Global Press.
- (2) Thaler, R. and Sunstein, C. (2009). Nudge: Improving decisions and health, wealth, and happiness. Penguin Books
- (3) Guala, F. (2005). The methodology of experimental economics. Cambridge University Press.

ADDITIONAL READINGS

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

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