ISM UNIVERSITY OF MANAGEMENT AND ECONOMICS

APPROVED BY
THE STUDY COMMISSION
Minutes No. 02-12-2026-14
as of 24th August 2026

BEHAVIOURAL ECONOMICS

Course code	*GRAE031*
Course title	*Behavioural Economics*
Type of course	*Compulsory*
Level of course	*Graduate*
Year of study	*2nd*
Number of credits	*6 ECTS (36 contact hours + 2 consultation hours, 124 individual work hours)*
Lecturer	*Dr. Nomeda Lisauskienė*
Prerequisites	*none*
Teaching language	*English*

THE AIM OF THE COURSE

In this course we examine the role of rationality in economic theory and practice. We will study what rationality means in various areas of economics, how realistic the assumption of rationality is, how deviations from the assumed standards of rationality impact economic policy and financial behavior. Using textbook readings, journal articles, classroom experiments, and exercises, we will review some important results of behavioral economics and discuss the implications of these results for economic theory and public policy. The course also builds knowledge in experimental economics, including the design and implementation of experiments. By the end of the course, students will understand the foundations of behavioral economics and be able to apply behavioral, experimental, and AI-assisted methods in academic and practical settings.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	**Degree level learning objectives (Number of LO)**	**Assessment methods**	**Teaching methods**
CLO1. Understand and apply the main concepts, research tools and methodologies of behavioral economics that help to reveal biases, heuristics, etc. in the decision making process on individual, corporate, policy, and financial market level.	LO3.1	Quizzes, Class Participation, Project, Final Exam	Lectures
CLO2. Present the main results in the field of behavioral economics focusing on financial market processes including market anomalies.	LO3.1, LO6.1	Project, Final Exam	Lectures, seminars
CLO3. Explore behavioral economics considering financial, investment and dividend policy decisions and contrasting traditional and behavioral approaches.	LO3.1, LO6.1, LO6.2	Quizzes, Class Participation, Project, Final Exam	Lectures, seminars
CLO4. Research, prepare and present behavioral economics problems	LO3.1, LO4.1, LO6.1, LO6.2	Project	Seminars

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. With regard to 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.

AI USE POLICY

The use of generative AI tools is permitted for coursework, provided that any use is transparently acknowledged and appropriately cited; however, neither AI tools nor external materials may be used during examinations.

Course Content

DATES	TOPIC	IN-CLASS HOURS	SUGGESTED READINGS
2026 10 05	Introduction to behavioral economics Defining rationality Microeconomics: choice under certainty Game theory Rationality in macroeconomics and finance	4	Varian, 2009, Chapters 2-7 Cartwright, Chapter 1 Cowen, 2001 Diamond et al. 1997 (optional)
2026 10 08	Heuristics and biases paradigm Two systems Biases, fallacies, and illusions	4	Cartwright, Chapter 2 Kahneman, 2011, Ch. 1 & 2 Samson, 2023, pp. 174-202 Thaler, 1999 (optional)
2026 10 12	Choice under uncertainty Expected Utility Theory Prospect Theory	4	Varian, 2009, Chapter 12 Cartwright, Chapter 3 Kahneman & Tversky, 1979 (optional)
2026 10 15	Intertemporal choice Hyperbolic discounting Present bias	4	Cartwright, Chapter 4 Frederick et. al., 2002 Becker & Murphy, 1988 (optional)
2026 10 19	Understanding of probability Bayes' theorem in decision making Bayesian thinking	4	Cartwright, Chapter 5 De Langhe, 2017 Pinker, 2021 Kahneman & Tversky, 1974 (optional)
2026 10 21/22	Behavioral public policy Nudging Behavioral public choice Project assignment for Oct 31	8	Cartwright, Chapters 10-11 Sunstein, 2014 Kessler & Roth 2014 Thaler, R. H., & Sunstein, C. R., 2008 (optional)
2026 10 26	Behavioral finance Stock market behavior Investing anomalies	4	Cartwright, Chapter 3 Jakab, 2019 Levine, 2019 Malkier & Shiller, 2020 Martin, 2024
2026 10 28	Experimental economics Online, laboratory, field experiments, natural experiments Neuroeconomics	4	Cartwright, Chapters 1, 9 Weinmann, Brosig-Koch, 2019 (optional)
		Total: 36 hours	
	CONSULTATIONS	2	
	FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	**%**
Group Components 25%	
Project	25
Individual Components 75%	
Quizzes	20
Final exam	55
Total:	**100**

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Quizzes (25%)
We will have short individual quizzes – one on each class day, starting from the second class day. They will be related to the class material covered in the previous class. Quizzes will consist of multiple choice questions and short answer questions. Quizzes will be open-book. The total quiz score is the simple sum of your best 5 scores.

Project (25%)
Description: work in groups of three. Analyse a real-world nudge that illustrates a behavioral bias in action. In a maximum two-page report, describe the nudge and the behavior it aims to influence, define the relevant behavioral bias, and explain how the nudge changes behavior. Assess whether it meets Thaler and Sunstein's (2008) definition of a nudge, classify it using Hansen and Jespersen's (2013) framework, and discuss one ethical concern and one possible alternative intervention. Include a photograph of your group standing next to the nudge as evidence of your field observation.
Deadlines:
October 31: Submit the report to the e-learning.

Final Exam (55%)
The Final Exam will include a set of multiple-choice and short-answer questions. The exam will be closed book. The use of printed material or electronic equipment will not be allowed.

The Final Exam can be retaken and the Retake counts for 55% of the final grade.

RETAKE POLICY

Retake covers the final exam (55%). Group work and quizzes cannot be rewritten / retaken but their evaluation (if positive) is not annulled.

READINGS

Main

Cartwright, E.; Behavioral economics. Routledge, 4th Edition: 2024.

Cowen, Tyler. 2001. How Do Economists Think about Rationality? In *Satisficing and Maximizing*, ed. Michael Byron. Cambridge University Press.

De Langhe, Bart, Stefano Puntoni, and Richard Larrick. 2017. Linear Thinking in a Nonlinear World. *Harvard Business Review.*

Frederick, S., Loewenstein, G. and O'Donoghue, T. (2002), Time discounting and time preferences: A critical review. *Journal of Economic Literature*, 40(2), 351-401

Jakab, Spencer. 2019. Making Monkeys Out of the Sohn Investing Gurus. *The Wall Street Journal.*

Kahneman, Daniel. 2011. *Thinking Fast and Slow*. New York: Farrar, Straus and Giroux.

Kessler, Judd & Alvin Roth. 2014. Don't Take 'No' for an Answer: An Experiment with Actual Organ Donor Registrations. *Harvard Business School Working Knowledge.*

Levine, Matt. 2019. Good Investors Make Investing Harder. *Bloomberg*.

Malkiel, Burton & Robert Shiller. 2020. *Pairagraph.*

Martin, Katie. 2024. Grumblers about passive investing may have a point. *Financial Times*. Opinion section, January 23.

Pinker, Steven. 2021. Why You Should Always Switch: The Monty Hall Problem (Finally) Explained. *Behavioral Scientist*.

Samson, Alain (ed). 2023. *Behavioral Economics Guide*.

Sunstein, Cass. 2014. Nudging: A Very Short Guide. *Journal of Consumer Policy* 583.

Varian, Hal. 2009. *Intermediate Microeconomics*. 8th edition. New York: W. W. Northon & Co.

References for the project

Hansen, P. G., & Jespersen, A. M. (2013). Nudge and the manipulation of choice: A framework for the responsible use of the nudge approach to behaviour change in public policy. European Journal of Risk Regulation, 4(1), 3-28.

Loewenstein, G., & Chater, N. (2017). Putting nudges in perspective. Behavioural Public Policy, 1(1), 26-53.

Thaler, R. H., & Sunstein, C. R. (2003). Libertarian paternalism. American Economic Review, 93(2), 175-179.

Thaler, R. H., & Sunstein, C. R. (2008). Nudge: Improving Decisions About Health, Wealth, and Happiness. Yale University Press.

Additional

Becker, G. S. and K. M. Murphy (1988). "A theory of rational addiction." *Journal of Political Economy* 96(4): 675-700

Diamond, Peter, Eldar Shafir and Amost Tversky. 1997. Money Illusion. *Quarterly Journal of Economics* 112.

Kahneman, Daniel and Amos Tversky. 1979. Prospect Theory: An Analysis of Decisions under Risk. *Econometrica* 47.

Kahneman, Daniel and Amos Tversky. 1974. Judgement under Uncertainty: Heuristics and Biases. *Science* 185.

Thaler, Richard. 1999. Mental Accounting Matters. *Journal of Behavioral Decision Making* 12.

Weimann, J., Brosig-Koch, J. (2019). Methods in Experimental Economics, Springer 10.1007/978-3-319-93363-4

ADDITIONAL READINGS

None.

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ANNEX

DEGREE LEVEL LEARNING OBJECTIVES

Competency goals and learning objectives for the Master of Social Science

Programmes:
Financial Economics

Competency Goal	Learning Objective
Students will demonstrate advanced disciplinary knowledge.	LO1.1. Students will demonstrate advanced discipline knowledge through the independent development of a Master's thesis, showing a deep understanding and appropriate application of theories, concepts, and methods relevant to their field of study.
Students will be digitally competent.	LO 2.1. Students will demonstrate digital agility competencies by selecting and applying appropriate tools, platforms or technologies, integrating digital insights into business decision-making, and adapting digital approaches in response to evolving project requirements and contextual changes.
Students will be critical thinkers	LO3.1. Students will be able to identify underlying assumptions, limitations of previous research; evaluate managerial solution alternatives.
Students will be independent learners	LO4.1. Students will become **independent learners** and develop their own comprehension of scientific theories, models, and concepts
Students will be socially responsible leaders	LO5.1. Students will be able to evaluate past and current practices in their discipline from an **ethical perspective**.
Students will be effective communicators	LO6.1. Students will develop and deliver a **coherent oral presentation**
	LO6.2. Students will develop and deliver a **coherent written research paper**