DISCIPLINE SPECIFIC ELECTIVE COURSE 8 (DSE-8): BEHAVIOURAL ECONOMICS

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Behavioural Economics (DSE 8)	**4**	**3**	**1**	**0**	**Class 12**	**None**

Learning Objectives

The course attempts to impart an understanding of:
(i) the evolution and growing importance of behavioural economics
(ii) the question of choices when outcomes are known
(iii) formulation of choice under conditions of uncertainty
(iv) the theory of games and Nash equilibria under select circumstances

Learning outcomes

By studying this course, the students will be able to:

- To understand the departures from traditional theory by first explaining the decision-making process in a theoretical framework and then using empirical and experimental findings.
- To build a better understanding of consumer choices and behaviours to enhance his/her decision-making and he/she will be able to differentiate between economic and psychological approaches to human decisions. Understands how behavioural economies incorporates psychological factors such as altruism, fairness trust into standard theories to analyse human choices and also have the knowledge of predictive power of economic theories.
- To understand the main normative and descriptive approaches to know principles of decision making under risks
- To apply behavioural theory to interpretation of real decisions and public policy.

SYLLABUS OF DSE-8

Unit 1: Introduction **(9 hours)**

Introduction to behavioural economics: history, evolution, objective, scope, methods and concepts in behavioural economics.

Unit 2: Choice under certainty **(12 hours)**

Preferences, rationality, utility, menu dependence, decoy effect, endowment effect, heuristics and biases.

Unit 3: Choice under uncertainty **(12 hours)**

Probability, Bayes' Rule, Expected value, Confirmation Bias, Expected Utility, Bundling, Allais Problem.

Unit 4: Strategic Actions **(12 hours)**

Game Theory, Nash Equilibrium, Altruism, Fairness, Justice, Trust, Welfare Economics, Nudge Agenda and behavioural finance.

Essential/recommended readings

1. Angner, Erik (2016), A course in behavioral economics, (Second edition,), Palgrave, London
2. Colin F. Camerer, George Lowenstein & Matthew Rabin (Ed.) (2004), Advances in Behavioral Economics, Princeton University Press.
3. Wilkinson, Nick and Matthias, Klaes (2012), An introduction to Behavioral Economics, 2nd edition, Palgrave Macmillan.
4. Abdukadirov, Sherzod (ed.). Nudge Theory in Action: Behavioral Design in Policy and Markets

Suggestive readings

1. Andrikopoulos, Panagiotis. Modern Finance vs. Behavioural Finance: An Overview of Key Concepts and Major Arguments (June 2005). http://dx.doi.org/10.2139/ssrn.746204
2. Andreoni, James, Justin M. Rao, and Hannah Trachtman. "Avoiding the ask: A field experiment on altruism, empathy, and charitable giving." Journal of political Economy 125, no. 3 (2017): 625-653
3. Fama, Eugene F. "Market efficiency, long-term returns, and behavioral finance." Journal of financial economics 49, no. 3 (1998): 283-306.
4. Falk, Armin, and Christian Zehnder. "A city-wide experiment on trust discrimination." Journal of Public Economics 100 (2013): 15-27.
5. Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "Experimental tests of the endowment effect and the Coase theorem." Journal of political Economy 98, no. 6 (1990): 1325-1348.
6. Samson, Alain. "An introduction to behavioral economics." The behavioral economics guide (2014): 1-12.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.