



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2023

Behavioural Economics and Economics of Altruism

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SHORT COURSE DESCRIPTION

The aim of this course is to enable you to examine decision making from a behavioural economics perspective. Understanding how we take decisions is key to understanding human welfare. Individuals take decisions not only for their own welfare now and for future, but their decision also has an impact on the welfare of the society as a whole. We will start with more mainstream decision theory and highlight instances where it predicts actual choices correctly and instances where it does not. You will be introduced to behavioural theories that have emerged to explain the empirical observations, and will discuss the implications for understanding the society, environment, economics, business and politics.

While focusing on the main developments in behavioural economics, the course will provide insight into how tend to think about the environment, our future and the society as a whole. We study why individuals cooperate, trust and contribute towards the well-being of others and the society. Why do we show solidarity towards others and help others out and then there are times when are selfish and also fight with each-other? We will learn about the underpinnings of concepts like Nudge, why stress may distort our decision-making, and if how to make policy making more effective to have a healthier and sustainable society.

READING MATERIALS

All material, including lecture notes and journal papers (pdf) will be provided online and will be available on SKKU website.

COURSE REQUIREMENTS AND GRADING

The course will require students to attend lectures and participate during the lectures. Participation will often be in groups. This will count for 20% of the final grade. There will be a coursework, where you will have to write an essay on a topic given to you. Note that you will be able to select one topic from four possible topics. The details will be given to you at the start of the course. This will constitute 40% of the grade. You will also need to make a group presentation on a given topic for the class. This presentation will make up the remaining 40% of your final grade. Note **SKKU regulations require students to attend at least 80% of all classes.**

COURSE SCHEDULE

– WEEK I –

Monday (26 June) Are we rational decision makers? - Fundamentals of Rational Choice

Tuesday (27 June) Decision making in a risky world - Expected Utility Theory

Wednesday (28 June) Decision making in a risky world - Violations of Expected Utility Theory

Thursday (29 June) Risk and Uncertainty

– WEEK II –

Monday (3 July) Valuing the future – Time preferences (How do we value our and the earth’s future?)

Tuesday (4 July) Valuing what we have - Prospect theory (How do we measure the value of the environment?)

Wednesday (5 July) Valuing what we have now and in future - Mental Accounting

Thursday (6 July) Valuing what may lose – Loss aversion (How do we measure the value of the environmental loss?)

– WEEK III –

Monday (10 July) Making decisions in everyday life - Heuristics in decision-making.

Tuesday (11 July) Strategy, Games and Coordination – Working together

Wednesday (12 July) Caring for others and caring for the society - Altruism, Other regarding preferences, Inequality Aversion.

Thursday (13 July) Being fair - Fairness and Reciprocity

– WEEK IV–

Monday (17 July) Being honest - Lying, Guilt and Guilt aversion

Tuesday (18 July) Being ourselves and belonging to groups - Groups and Social Identity

Wednesday (19 July) Coursework presentation and feedback.