



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2022

# Behavioural Economics and Economics of Altruism

## SHORT COURSE DESCRIPTION

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Recent events in our world has led to lot of discussion about our behaviour and decision making. We have seen and read news about wearing masks, staying home and helping others. This has often led to discussions about trust, caring for others (or being selfish), or following the rules.

The aim of this course is to enable you to examine economic outcomes from a behavioural perspective. We will discuss where standard economics predicts actual choices correctly and instances where it does not. You will be introduced to recent behavioural theories that have emerged to explain the empirical observations, and will discuss the implications for economics, business and politics.

You will learn how identity influences are economic decisions, to what extent we care for others, how our decisions are influenced by emotion and stress and how prone are we to lying behaviour.

While focusing on the main developments in behavioural economics, the course will also focus on altruism. It will provide explanations for why individuals contribute towards the well-being of others and the society. Why and when do we show solidarity towards others and help others out and sometimes we do not do so. We will learn about the underpinnings of concepts like nudge, why stress may distort our decision-making, and if behavioural policy making is effective.

## READING MATERIALS

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

## COURSE REQUIREMENTS AND GRADING

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You will be evaluated on your coursework. For the coursework will have two components. First, you will be required to make a presentation and present in along with your team mates (it will be a group presentation). The presentation will require either an explanation of existing theory and supporting data or design of your own experiment for any chosen hypothesis. The second component will be an individual written explanation of the presentation. The coursework will cover 80% of your grade, with the two components being 40% each). The remaining 20% will be your engagement in the class, and discussing the presentation/coursework of your class mates. In your written work any academic dishonesty will resulting your written work not being marked. You will have to abide by the all the requirements of SKKU. All ISS classes are pass/fail based on the student academic achievement evaluated by grades on a scale of 100 points (grade of 60 or above is Pass). **SKKU regulations require students to attend at least 80% of all classes.**

## COURSE SCHEDULE

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### – WEEK I –

Monday (27 June) Fundamentals of Rational Choice

Tuesday (28 June) Expected Utility Theory - Violations of Expected Utility Theory

Wednesday (29 June) Risk and Uncertainty

Thursday (30 June) Time preferences

– WEEK II –

Monday (4 July) Prospect theory

Tuesday (5 July) Mental Accounting

Wednesday (6 July) Loss Aversion

Thursday (7 July) Heuristics in decision-making

– WEEK III –

Monday (11 July) Stress and cognitive ability

Tuesday (12 July) Emotions

Wednesday (13 July) Altruism, Other regarding preferences, Inequality Aversion.

Thursday (14 July) Fairness and Reciprocity

Friday (15 July) Lying, Guilt and Guilt aversion

– WEEK IV –

Thursday (16 July) Groups and Social Identity

Friday (17 July) Coursework presentation and feedback.