

12E005

6 ECTS

Behavioral Decision Making

Professor: Daniel Navarro-Martinez (daniel.navarro@upf.edu)

Overview

The purpose of this course is to provide students with an introduction and overview of research in **behavioral decision making**, with an emphasis on work that has been influential in behavioral economics. Behavioral decision making is a very interdisciplinary field that draws on knowledge and methods in psychology and economics to try to understand how people make decisions. The field has been pivotal in the development of behavioral economics and is closely related to the Nobel prizes awarded to Daniel Kahneman (2002) and Richard Thaler (2017). Research in behavioral decision making also has many practical applications in a variety of economic and social domains in which people make decisions.

Methodology

The course has a research focus and will mostly be conducted in seminar style. The professor will introduce the course and the field in the first classes, and he will also provide explanations of key ideas throughout the course, but most sessions will consist in discussions of research papers led by the students. Typically, each session will involve the discussion of one or two papers. For each paper, one student will be in charge of presenting the paper and another student will be the discussant, which involves commenting on the paper and introducing critical points to discuss. Then the whole class will participate in the discussion, and all students will be expected to come to class prepared to discuss the papers. Each student will be the presenter and the discussant at least once, maybe twice, depending on the number of students. The professor will moderate the discussions and make sure that they cover all the relevant points of each paper.

Content

The course will aim to cover the following topics, which are subject to changes depending on class dynamics:

- Deviations from Expected Utility Theory
- Prospect Theory and related ideas
- Context effects

12E005

6 ECTS

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- Choice architecture
- Inter-temporal decisions
- Emotions and decision making
- The unconscious mind
- Decision behavior in games
- External validity

The detail of the specific papers to be discussed on each topic will be given to the students at the start of the course.

Evaluation

The evaluation of the course will consist of three main components:

- a) Presenting and discussing papers (25%): As described in the methodology section, each student will be required to lead the discussion of a paper and to act as a discussant at least once, maybe twice, depending on the number of students.
- b) Participation (25%): The students will be expected to come to class prepared to discuss the papers and will be encouraged to participate in all the discussions conducted in class.
- c) Final essay (50%): The students will have to write a short final essay related to one of the topics covered in class, in which they develop a research idea and propose a study that could be conducted to test the idea and advance knowledge.

There will be no exam in this course.

Materials

A good reference that covers many of the topics discussed in the course is the *Blackwell handbook of judgment and decision making* (two volumes):

- Koehler, D.J. and Harvey, N., eds. (2004). *The Blackwell handbook of judgment and decision making (volume 1)*. Blackwell Publishing.
- Koehler, D.J. and Harvey, N., eds. (2015). *The Blackwell handbook of judgment and decision making (volume 2)*. Blackwell Publishing.

12E005

6 ECTS

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The following are popular books, written by leading decision making scholars, that I particularly recommend. They are written for the general public and they cover several of the topics discussed in the course in a very accessible way:

- Ariely, D. (2008). *Predictably irrational: The hidden forces that shape our decisions*. Harper Perennial.
- Kahneman, D. (2011). *Thinking, fast and slow*. Penguin Books.
- Thaler, R.H. (2015). *Misbehaving: The making of behavioral economics*. WW Norton & Company.
- Thaler, R.H., Sunstein, C.R. (2008). *Nudge: Improving decisions about health, wealth, and happiness*. Penguin Books.

At the start of the course, the professor will provide the students with a detailed list of the research papers to be discussed in class, including some additional readings.