



LUDWIG-
MAXIMILIANS-
UNIVERSITÄT
MÜNCHEN

FAKULTÄT FÜR BETRIEBSWIRTSCHAFT
**MUNICH SCHOOL OF
MANAGEMENT**



INSTITUT FÜR RISIKOMANAGEMENT UND VERSICHERUNG (INRIVER)
INSTITUTE FOR RISK MANAGEMENT AND INSURANCE

Behavioral Decision Making

Seminar (6 ECTS)

<u>Institute:</u>	Institute for Risk Management and Insurance (INRIVER)
<u>Lecturer:</u>	Dr. Johannes Maier Email: johannes.maier@lmu.de Phone: 089/2180-3552
<u>Time & Location:</u>	Lecture: Tuesday, 17.10.2023 - 12.12.2023, 12:15–15:45, Schackstr. 4 / III Room 314 Presentations: Tuesday, 30.01.2024 & 06.02.2024, 12:15–15:45, Schackstr. 4 / III Room 314
<u>Registration:</u>	Please make sure to register via moodle for the course. You can find the course here: https://moodle.lmu.de/course/view.php?id=31034
<u>Credits:</u>	6 ECTS-points; open for MSc students in module “Advanced elective topics in Business Administration (Theory)” and for MBR students in module B/I
<u>Language:</u>	English
<u>Evaluation:</u>	Term Paper (50%) & Presentation (50%).
<u>Cycle:</u>	Yearly, in the winter semester.

Description

Behavioral economics emerged out of a number of empirical and experimental puzzles which are difficult to explain with the standard economic paradigm. It studies models of human decision making and the interaction among such decision makers in games and markets. Why do people demand insurance and, at the same time, buy lottery tickets? Why do default decisions matter even if transaction costs are low? Why do people borrow on credit cards and, at the same time, hold substantial illiquid wealth? Why do people engage in charitable giving? Behavioral economics is the attempt to shed light on these and other observations by enriching standard theory with psychological realism, i.e., creating models about behavior that bring more accurate predictions. As behavioral economists typically aspire to construct more "realistic" models, many of the models are inspired by psychological and experimental studies.

Main Objectives

The aim of the course is to make students familiar with the most important workhorse models in behavioral economics. At the end of the course, students should be able to apply these models to particular economic problems, e.g., moral hazard, savings for retirement, insurance demand, consumption decisions, etc.. This course has a strong focus on formal theoretical models, but we will occasionally survey empirical and experimental studies without going into full details.

Organization

The course is decomposed into two parts. The first part of the course will be held as a lecture and will provide the foundations needed for the second part of the course. In these lectures, several key concepts and models of behavioral economics will be introduced and the relevance of these models is discussed. The second part of the course will be held as a seminar. Each student has to present a recent theoretical or empirical paper in behavioral economics and has to write a referee report about it.

Evaluation

Your final grade will be based on your understanding of a paper you are assigned to study.

- Term paper: A “critical summary” of the assigned paper (50%)
- Presentation and discussion of the assigned paper (50%)

Attention: To get credits for this course, registration via LSF-Portal is **mandatory!**

You can register for the course **from 16.10.23 to 04.12.24.**

Course Outline

Chapter I:	Decisions under Uncertainty
Chapter II:	Decisions under Certainty
Chapter III:	Intertemporal Decisions
Chapter IV:	Fairness and Reciprocity
Chapter V:	Limited Strategic Thinking

Timeline

Week	Date	Content
1	17.10.23	Intro
2	24.10.23	Lecture
3	31.10.23	No class
4	07.11.23	Lecture
5	14.11.23	No class
6	21.11.23	Lecture
7	28.11.23	Lecture
8	05.12.23	Lecture
9	12.12.23	Lecture
10		Writing Period
11		Writing Period
12		Writing Period
13	23.01.24	Paper Due
14	30.01.24	Presentations
15	06.02.24	Presentations