

SYLLABUS

Behavioral economics (5 ECTS)

Summer School 2026

The mission of ZSEM is to transfer values, knowledge, and skills that students need for long-term success in a globalized business world undergoing constant technological and market transformations

LECTURERS

Instructors Andrijana Mušura, PhD (course coordinator)
Prof. Ivo Vlaev, PhD (Warwick Business School)
Vedrana Pribičević, PhD candidate (lecturer)

Contact

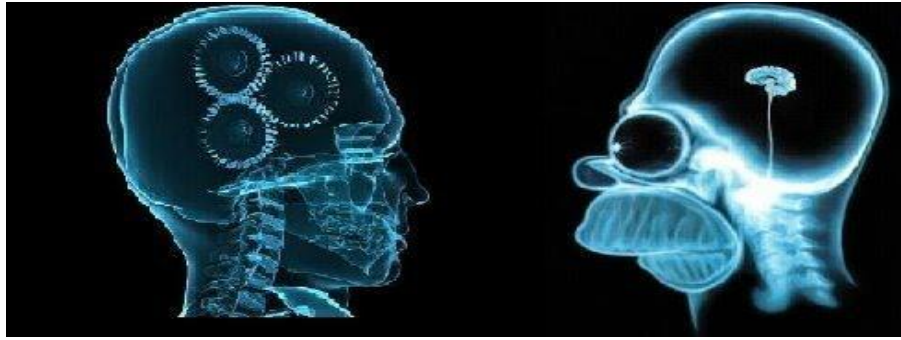
E-mail address: amusura@zsem.hr
ivo.vlaev@wbs.ac.uk
vpribice@zsem.hr

LECTURES:

Lecturing/exercises	30 contact hours
---------------------	------------------

“Economists have never allowed their analysis to be influenced by the academic psychologists of their times, but have always framed for themselves such assumptions about psychological processes as they thought it desirable to make.”

Economist and political scientist Joseph Schumpeter (1954)



WHY BEHAVIORAL ECONOMICS AT ZSEM?

What if somebody told you that great part of economic theories, models and assumptions are questionable in terms of describing and/or predicting people's behavior?

The primary goal of this course is an introduction to the insights gained from incorporating psychology into economic modeling. Behavioral economics is one of the fastest-growing scientific fields and field of practice. Governments around the world are increasingly relying on behavioral economics to tackle a variety of issues that affect societal welfare (such as addiction, waste, and over-consumption). Similarly, more and more businesses are turning to behavioral economics as they look for new ways to increase the satisfaction and lifetime value of their customers. In addition, many organizations are relying on behavioral economics to improve the quality of managerial decisions. This interdisciplinary field is a combination of concepts derived from microeconomics, social & cognitive psychology, behavioral decision research, consumer research, neuroeconomics, experimental economics etc. Its main focus is on the question “How do people, in reality, make decisions”.

Some of the more specific questions include: How do real people execute decisions to quit smoking, commit to a relationship or save for retirement? How do they cope with risk and uncertainty? How do they weigh the present against the future? How do people perceive money and use it? Do people know what made us happy in the past and what will make us happy in the future? Do we know what made us happy in the past and what will make us happy in the future? How can brain imaging reveal in-depth comprehension of brain processes relevant to decision making? Why we fail on “Mondays” to start dieting or exercising? ...

Besides theoretical insight in this discipline, students will be presented with practical knowledge on how to manage the choice architecture, generate successful business strategies and to improve their own decision-making. Knowledge of these issues can be a significant source of competitive advantage, because they are unknown to most managers and are not taught in most undergraduate and MBA programs.

COURSE GOALS

	<u>COURSE GOALS</u>	<u>COURSE OBJECTIVES</u>
1.	Students will acquire knowledge in the field of behavioral economics	Students will study literature (articles) from the areas of behavioral economics, which will help them to gain the necessary skills required to understand and use concepts derived from this field of judgment and decision making.
3.	ZSEM students will communicate effectively.	Students will prepare presentations based on paper analysis in which they will demonstrate the knowledge along with the ability to master scientific material. Students will participate actively in discussions, exercises and individual work.

METHOD OF WORK

Classes will consist of lectures, discussion of assigned readings, exercises, and a simulation (HBR) illustrating the main concepts. As an important characteristic of this class, students will be systematically asked to identify and generate original marketing and business applications of the concepts met in class. Students will be expected to learn the literature presented in class, to think critically and analytically and to present and defend ideas clearly and rigorously. Since this is a relatively new field, we will gain insight to the topics by sampling original contributions. This implies a lot of reading, so students will earn their grades by writing a research analysis, actively participating in in-class exercises and discussions and by achieving point from a group test.

TOPICS:

Overview, judgment & decision making	Prof. Vlaev
Failures of the “Rational Man” paradigm	Prof. Vlaev
System 1 & system 2, heuristics & biases	Prof. Vlaev
Behavioral public policy, nudge theory and behavior change	Prof. Vlaev
NUDGEATHON & student presentations	Prof. Vlaev
Prospect theory & Mental accounting	Prof. Gabor
Social identity/ Social preferences / Behavioral game theory	Prof. Pribicevic
HBR Simulation: Organizational judgment in crisis	Prof. Gabor
Group test	

EVALUATION- GRADE ELEMENTS

In accordance to course structure, the class grade consists of:

Project (Report + Presentation)	40 points
Attendance (min. 80%) & Class activity	10 points
Group test	50 points

Project: Students will develop and present behavioral design solution to the chosen problem.

Attendance: Attendance is compulsory and does not count towards final grade, but students must attend at least 80% of classes to pass the course!

Group test: Students will need to choose a group of max 4-5 members that will be a unit of grading. A member of each group will receive the average number of points his group achieved. The test contains close-ended multiple choice questions and fills in blank questions.

Grading Scale

Final grades will be based on the following scale. The professors reserve the right to adjust this scale based on the final scores in the class.

5	A	90-100 points
4	B	80- 89 points
3	C	70- 79 points
2	D	60- 69 points
1	E	less than 60 points

The final grade is from 1-5 according to the ZSEM legislative.

LECTURERS

Andrijana Mušura Gabor is a behavioural scientist in the field of applied psychology. At the Zagreb School of Economics and Management, she works as a senior lecturer and leads the Behavioral and Experimental Economics (BEE) Lab. Andrijana has experience of working in international nudge units (Nudge Lebanon, Nudgd Sweden) and global humanitarian organizations (UNICEF, UNHCR, Save the Children Initiative) in applying psychology for positive behavioural change. Andrijana is a founder of Insights, a behavioural science consultancy, through which she aspires to make insights from research accessible to organizations that wish to promote positive change for employees, consumers, or citizens. Andrijana actively cooperates with the Croatian business sector in the form of executive education, where she leads workshops in the areas of human resources management, decision making and behaviour change.

Ivo Vlaev is a Professor of Behavioural Science, Warwick Business School, University of Warwick, and among the leading behavioural psychologists in the UK. Ivo received a DPhil (PhD) in Experimental Psychology from the University of Oxford. Before coming to Warwick, Ivo worked as a research fellow at University College London and senior lecturer at Imperial College London. Besides a rich scientific opus from the field of decision science (behavioural economics) and behaviour change, Ivo is also a co-author of the famous UK Cabinet Office MINDSPACE report and behaviour public policy framework which he uses with public and private organisations to develop and apply lessons from behavioural science. The framework is used for designing effective policy utilising the latest insights from behavioural sciences (also known as nudge theory) and is widely used across government (it provided the basis for establishing the first 'Behaviour Insight Team' at the UK Cabinet Office) and in the commercial sector.

Vedrana Pribičević graduated from the Faculty of Economics at the University of Zagreb, where she majored in Macroeconomics. She is currently a final stage Ph.D. student at the Faculty of Economics and Business, University of Ljubljana, Slovenia. Her research focuses on an interdisciplinary study of complex adaptive systems halfway between economics and physics, aiming aim to explore financial contagion and systemic risk in the context of multiplex networks. Pribičević has been a faculty member of ZSEM since 2007, first as an assistant and since 2010, as a lecturer. She usually teaches Principles of Economics and Microeconomics but has also taught Macroeconomics, International Economics, Statistics and interdisciplinary courses such as Economics, Institutions and Societies.

READINGS

Some general readings

1. Kahneman, D. (2011). Thinking fast & slow. Farrar, Straus and Giroux
2. Angner, E. (2012). A course in behavioral economics. Palgrave Macmillan
3. Matthew Rabin, "A Perspective on Psychology and Economics," *European Economic Review* 46 (2002), pp. 657-685; <http://dx.doi.org/10.1016/S0014-2921%2801%2900207-0>.
4. Colin Camerer and George Loewenstein, "Behavioral Economics: Past, Present, Future,"
5. Chapter 1 in "Advances"; manuscript at <http://www.hss.caltech.edu/~camerer/ribe239.pdf>
6. Daniel Kahneman, "Maps of Bounded Rationality: Psychology for Behavioral Economics," *American Economic Review* 93 (2003), 1449-1475; http://www.princeton.edu/~kahneman/docs/Publications/Maps_bounded_rationality_DK_2003.pdf
7. Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, 69 (1), 99-118.
8. Daniel Kahneman, "A Psychological Perspective on Economics," *American Economic Review Papers and Proceedings* 93 (2003), pp. 162-168; <http://ase.tufts.edu/gdae/CS/Psychological%20Perspective.pdf>
9. Amos Tversky and Daniel Kahneman, "Judgment under Uncertainty: Heuristics and Biases," *Science* 185 (1974), pp. 1124 – 1131; http://psiexp.ss.uci.edu/research/teaching/Tversky_Kahneman_1974.pdf
10. Prelec, D., i Simester, D. (2001). Always Leave Home without It: A Further Investigation of the Credit-Card Effect on Willingness to Pay. *Marketing Letters*, 12 (1), 5-12
11. Brendl, C. M., Markman, A., & Higgins, T. E. (1998). Mental accounting as self-regulation: Representativeness to goal-derived categories. *Sonderheft Konsumentenpsychologie*, 29, 89-104. http://www.kellogg.northwestern.edu/faculty/brendl/htm/BMH_1998_English.pdf
12. Gonzalez, C., Dana, J., Koshino, H., & Just, M. (2005). The framing effect and risky decisions: Examining cognitive functions with fMRI. *Journal of Economic Psychology*, 26, 1-20. <http://repository.cmu.edu/cgi/viewcontent.cgi?article=1012&context=sds>
13. Prelec, D., & Loewenstein, G. (1998). The Red and the Black: Mental Accounting of Savings and Debt. *Marketing Science*, 17, 4–28. http://www.researchgate.net/publication/227358519_The_Red_and_the_Black_Mental_Accounting_of_Savings_and_Debt/file/d912f50e4477ae38d2.pdf
14. Thaler, R. H. (1999). Mental accounting matters. *Journal of Behavioral Decision Making* 12, 183-206.
15. Nisbett, R. E. i Wilson T. C. (1997). Telling more than we can know: Verbal reports on mental processes. *Psychological Review*, 84 (3), 231-259.
16. Belsky, G. & Gilovich T. (2000). Why smart people make big money mistakes and how to correct them. Simon & Schuster
17. Gollwitzer, P. M., & Bargh, J. A. (1996). *The psychology of action: Linking cognition and motivation to behavior*. New York: Guilford Press.
18. Ariely, D. (2009). Predvidljivo iracionalni. Zagreb: VBZ./Predictably Irrational (2008)
19. Sunstein, C. R. & Thaler, R. H. (2009). Poticaj. Zagreb: Planetopija./Nudge (2008)
20. Gigerenzer, G. (2009). Snaga intuicije: inteligencija nesvjesnoga. Zagreb: Algoritam/Gut feelings (2008)
21. Akerlof, G. A. & Kranton, R. E. (2012). Ekonomija identiteta. Zagreb: Mate.
22. Gilboa, I. (2013). Racionalni izbor. Zagreb: Mate.