

Rationality in Economic Behaviour and its Boundaries

A ‘Walking Seminar’, Summer term, 2017

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1 Content

Before asking about all the “behavioural” elements, this course starts with the question: what is rational about economic behaviour? The preliminary answer is that people have some sort of preferences, they do form expectations about others’ behaviour and they generally respond to both in a plausible direction. As a consequence, the parameters of a situation—in particular, the payoffs—generally do influence behaviour in the direction we would expect according to standard theory. In this course, we will look at each of these ‘ingredients’ of rational behaviour in more detail and ask just *how* (ir-)rational actual behaviour is. In particular, we will look at the “discovered-preference” hypothesis and imprecise preferences; at indecision due to incommensurable valuations; at evidence for and models of expectations that are not ‘beliefs’ in the sense of a probability distribution; at (un)awareness; and at behavioural implementation of underlying preferences. Potential additional topics include endogenous preferences and motivated beliefs.

2 Organisation

- Kick-off meeting on Friday, 7th April, 8:15-9:45: Introduction.
- starting on Wednesday, 10th May: weekly meetings, 8:15-10:45.
- idea:
 - all participants read the ‘paper of the week’ before the meeting
 - during the first 10-20 minutes of each the meeting, one participant is randomly chosen to give an ‘impulse talk’ on the paper (typically a critical appraisal of the paper)
 - afterwards, we will collectively walk to one of several ‘coffee places’ (e.g., Hörnle, Mainau, St. Katharinen,...) and talk about the topic of the ‘paper of the week’ (very broadly defined)
 - at the destination (where we shall arrive after 45-60 minutes), we will have a ‘round table’, report on what came out of our conversations (30-45 minutes), and return to the university.
 - at the end of the seminar-type course, every participant should have come up with a (new!) research idea that (s)he would want to pursue that optimally has originated in the discussions we will have had.
- marking: part of the final mark will be for the ‘impulse talk(s)’ and the contributions to the discussions; about 75% of the mark will be for a research proposal to be handed in by 30th September, 2017.

3 Requirements

This seminar-type course is open to students from the different Ph.D. programmes as well as for *advanced* students from the department's Master programmes. Students in the Master programmes are required to have mastered the Advanced-Microeconomics course with a grade of 2.0 or better (students with a grade of 2.3 are also eligible if they have an overall average of 1.7 or better). Note that the course requires reading and understanding a number of advanced microeconomic/game-theoretic models.