

Course Type	Course Code	Name of the Course	L	T	P	Credits
OE	HSO 408	Judgement and Decision Making	3	0	0	9

Course Objective
This course will introduce the students to the major normative and descriptive theories of judgement and decision making, and enable them to identify various systematic decision and judgement biases in everyday life.
Learning Outcomes
Upon completion of this course, students should: <ul style="list-style-type: none"> <li>Understand and critically analyse theories and results in the field of judgement and decision making.</li> <li>Understand the methods used in behavioural sciences to study judgement and decision making.</li> <li>Be aware of the applications and implications of theories of judgement and decision making.</li> </ul>

Unit No.	Topics to be Covered	Lecture Hours	Learning Outcome
1	Neoclassical versus behavioral economics. Rational Choice under Certainty: Preferences, Rational preferences, Choice under certainty, Utility.	6	Know the difference between normative and descriptive theories of decision and understand the theory of rational choice under certainty.
2	Decision Making under Certainty: Opportunity costs, Sunk costs, Decoy effect, Endowment effect, Anchoring and adjustment.	6	Identify the common decision patterns that deviate from strict rationality under certainty.
3	Judgement under Risk and Uncertainty: Probability Judgement, Bayesian updating. Gambler's fallacy, Conjunction and disjunction fallacies, Base rate neglect, Confirmation bias, Availability, Overconfidence.	6	Understand how the theory of probability can be used as a theory of rational belief, and identify the common biases involved in probabilistic judgement.
4	Rational Choice under Risk and Uncertainty: Uncertainty and risk, Expected utility theory, Attitude towards risk.	6	Understand the features of the normative rational theory of choice under risk.
5	Decision Making under Risk and Uncertainty: Loss aversion, Bundling, Prospect theory.	6	Identify the behavioral patterns that violate expected utility theory and be familiar with the major descriptive theory of decision making under risk.
6	Intertemporal Choice: Discounted utility model, Exponential discounting. Hyperbolic discounting and its consequences, Present bias. Psychology of procrastination and addiction.	6	Understand how decisions whose consequences play out over time are made and identify the psychological roots of certain maladaptive behavioral patterns.
7	Strategic Interaction: Analytical and behavioral game theory.	6	Be familiar with how strategic interactions are analyzed in behavioral economics.

#### Text Books:

- Angner, E. (2020). A Course in Behavioral Economics, 3<sup>rd</sup> Edition. Bloomsbury Publishing.
- Hastie, R & Dawes, R. M. (2010). Rational Choice in an Uncertain World: The Psychology of Judgment and Decision Making, 2nd Edition. Sage Publications, Inc.

#### Reference Books:

- Kahneman, D. (2011). Thinking, Fast and Slow. Penguin Books.
- Ariely, D. (2010). Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions. Harper Perennial.
- Thaler, R. H. & Sunstein C. R. (2008). Nudge: Improving Decisions about Health, Wealth, and Happiness. Penguin Books.