



APPLIES TO ACADEMIC YEAR 2014/2015

GRA 2245 Economic Psychology

Programme

Master of Science in Business (HRM), Master of Science in Leadership and Organizational Psychology, Specialization Course

Responsible for the course

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Department

Department of Leadership and Organizational Behaviour

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

Economic decisions are ubiquitous and interwoven into many of our everyday experiences and especially in the context of work. We can define an economic decision as any decision related to the expenditure and saving of time, money and effort. For example, behaviors like negotiation, choice behavior, work effort, or knowledge sharing. All these behaviors occur in a social context.

In traditional economics it is assumed that people's actions are fuelled only by self interest, that they make rational decisions which maximize their utility, and that context is hardly relevant. This economic thinking has affected organizational theory and research for decades. Newer research in behavioral economics and finance, and economic and neuropsychology paint a very different picture. The social nature of human beings, the hardwiring of the brain, and the critical importance of context makes the assumptions of many microeconomic models incorrect and/or incomplete. People are not "homo economicus", they can operate with both self and other-interest simultaneously; people are human and fundamentally social and connected to one another.

Economic predictions fail to explain why we give money to a charity, value fairness over outcomes, walk away from a profitable deal, or why we help a co-worker. Economic psychology aims to describe, predict and explain the actual economic behavior of individuals, and groups.

In this course we focus on the psychological evidence that demonstrates the social and connected nature of work relations, and apply this specifically to interdependent decision situations- negotiations, groups, and social relationships at work. Throughout the course we demonstrate the applicability of psychological research for understanding and predicting economic behaviors. We take the students through theory, empirical evidence and their own experiences and assumptions

We begin the course with an overview and trends within economic psychology, and then we examine problems with the core assumption of self interest in the standard economic model. The third section of the course focuses on the work context examining interdependent decisions situations (e.g. negotiation) and relational basis of organizing.

Learning outcome

By the end of the course the student should be able to:

1. Describe and give a brief overview of the field of economic psychology.
2. Critically present evidence of social connectedness and explain how this research can improve the standard economic model.
3. Describe the models and research on interdependent decision making and link this to both psychological and economic models and theories.
4. Analyze the social context at work in terms of cooperation and contribution as well as provide recommendations for fostering it.
5. Develop a skill set that utilizes modern research findings of economic psychology to improve decision making at work.
6. Show how the content of this course can improve individual and management decision making and behavior, and identify potential ethical dilemmas in the application of this knowledge.

Prerequisites

GRA 2204 Judgement and Decision Making in Organizations or GRA 2205 Organizational Behaviour

Compulsory reading

Collection of articles:

2014. Current topics in economic psychology - a collection of research articles will be made available before the course starts. Will continue with the updated articles, but will replace (general) text book with some excellent recent research from Journal of Organizational Behaviour, Journal of Economic Psychology, Science, Psychological Bulletin, Journal of Personality and Social Psychology, Annual Review of Psychology.

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading**Books:**

Bazerman, Max H. 1999. Smart money decisions : why you do what you do with money (and how to change for the better). John Wiley & Sons

Thaler, Richard H. 1994. The winner's curse : paradoxes and anomalies of economic life. Princeton University Press

Thaler, Richard H., Cass R. Sunstein. 2009. Nudge : improving decisions about health, wealth, and happiness. Rev. and expanded ed.. Penguin Books

Course outline

- Introduction to economic psychology
- The fallacy of self interest only: social connectedness
- Interdependent decision making
- Economic decisions and social relations in the work context
- Summary and applications

Computer-based tools

Presentation tool such as PowerPoint. It's learning/homepage

Learning process and workload

The course is structured as a combination of lectures, discussions, and compulsory in-class activities. A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

Please note that it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

The course grade will be based on the following activities and weights:

40% - In class activities

60% - Term paper (groups of 2-3 students)

To get a final grade in the course, students need to complete and achieve a passing grade in all parts of the evaluation.

In this course class attendance is mandatory. Absences can result in a lower grade. Specific information regarding student evaluation will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination code(s)

GRA 22451 continuous assessment accounts for 100 % of the final grade in the course GRA 2245.

Examination support materials

Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials.

Re-sit examination

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code. Where this is the case, you may retake only the assessed components of one of these exam codes. Where this is not the case, all of the assessed components of the course must be retaken. All retaken examinations will incur an additional fee.

Additional information**Honor Code**

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.