Behavioral finance

ECTS : 3

Description du contenu de l'enseignement :

-Violations of expected utility theory and alternatives to this theory

-Time preference: standard model (Discounted utility), violations, alternatives

- Overconfidence
- Bayesian updating and cognitive heuristics
- Behavior in strategic situations
- The endowment effect

- Over the past several decades, the field of finance has developed a successful paradigm based on the notions that investors and managers were generally "efficient". In recent years, however, anecdotal evidence as well as theoretical and empirical research have shown this paradigm to be insufficient to describe various features of current financial markets. Taking into account insights from psychology and the fact that investors and managers are sometimes affected by biaises has allowed a deeper understanding of financial markets. In this course we will study experimental and theoretical research to examine how the insights of behavioral finance complement the traditional paradigm.

Compétence à acquérir :

At the end of the course, students are capable of understanding quite complicated theoretical models and the differences and respective contributions of theory, empirical and (both field and lab) experimental work. Students are also able to understand a large amount of non-trivial quantitative content and make it their own such that they are able to use it in different contexts.

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