

SUBJECT:	Behavioral Economics	
HOURS:	60	ECTS:
semester		Academic year

Name/title of the author:	
Course Description:	The lectures give an introduction to Behavioral Economics.
Learning Outcomes (Goals and Objectives of the course):	This course integrates psychological insights into economic models of behavior. It discusses the limitations of standard economic models and surveys the ways in which psychological experiments have been used to learn about preferences, cognition, and behavior. The recent financial crises, and previous speculative episodes such as the internet bubble, have highlighted the failure of the rational representative investor paradigm as a foundation for classical economy. The course aims to integrate insights from Psychology into Finance Theory in order to better explain phenomena that are puzzling within the traditional framework of rational economics. The main objective of the course is to illustrate how these insights can be used to better understand, predict, and possibly prevent undesirable economical phenomena.
Entrance qualifications:	The course is self-contained but prior knowledge of standard concepts in finance is required.
Course Content:	<p>Topics include:</p> <ul style="list-style-type: none"> • Market anomalies and inefficiencies - challenges to market efficiency hypothesis. • Expect utility theory - the classical paradigms for decision making under risk. • Prospect Theory of Kahneman and Tversky (1979). • Application of the prospect theory: the disposition effect, mental accounting, myopic loss aversion. • Heuristics and biases: overconfidence, conservatism, availability. • Types of investors. • Perception of economic activities • Economic Expectations • The Psychology of Money • Entrepreneurship and risk • Psychological basics of marketing • Negotiating • Paying taxes • Saving • Insurance • Gambling • Analysis of decisions taken by students in the investment game.
Assessment policy (examination):	Grading will be based on an in-class activities (40%), presentation (20%) and on test (40%).

Course materials/bibliography:

- Karl-Erik Warneryd, Stock-Market Psychology: How People Value and Trade Stocks, Edward Elgar Publishing Inc. 2001
- James Montier , Behavioural Investing: A Practitioners Guide to Applying Behavioural Finance, The Wiley Finance Series, 2007
- Shefrin, H., Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing, Harvard Business School Press, Boston, Massachusetts. 2000.
- Shleifer, A., Inefficient Markets: An Introduction to Behavioral Finance, Oxford University Press, Oxford. 2000.
- Kahneman, D., Tversky, A., 2000 (red.), Choices, Values, and Frames, Cambridge University Press, New York

Methods of Instruction:

The course is structured as a combination of lectures, discussions and in-class activities. Part of the course will be realized in OSTC lab.

Notes / suggestions: