

Behavioral Finance

Number of hours: 24h

Elective course

Instructors: Francois Degeorge and Kent Womack

Degeorge:

Title/Current position: Swiss Finance Institute Professor, University of Lugano

Mini-biography:

Francois Degeorge's research focuses on empirical corporate finance and has been published in leading academic journals. He holds a PhD from Harvard University and a Master's Degree from HEC Paris. He is a former Fulbright and Arthur Sachs scholar.

Womack:

Title/Current position: Manulife Chair in Financial Services, University of Toronto

Mini-biography:

Kent Womack was a former vice president investment banker at Goldman Sachs and studies Wall Street analysts and underwriting. He spent the first 16 years of his academic career at the Tuck School of Business at Dartmouth College. He holds a PhD from Cornell, an MBA from Stanford, and a BA from Yale University.

Course objectives:

Introduce students to this relatively new sub-discipline of finance which incorporates insights from cognitive and social psychology into finance. In the past 20 years behavioral finance has emerged as an important stream of thinking in finance. Relaxing the traditional assumptions of finance models has proved a fruitful way of understanding financial decision-making.

Course outline:

The course will go through:

- The cognitive biases evidenced by cognitive psychologists;
- Financial anomalies and their interpretations through a behavioral finance lens;
- The implications of behavioral finance for investors and corporate financial policy.

References:

Daniel Kahneman, Paul Slovic, and Amos Tversky (eds.), Judgment under uncertainty: Heuristics and biases, Cambridge: Cambridge University Press, 1982.

Richard Thaler, ed., Advances in behavioral finance, New York: Russell Sage Foundation, 1993.

Richard Thaler, ed., Advances in behavioral finance, Volume II, New York: Russell Sage Foundation, 2005.

Shleifer, Inefficient markets : an introduction to behavioral finance, Oxford, Oxford University Press 2000.

Assessment: Students will present a state-of-the art research paper among a selection of papers chosen by the instructors.