

Behavioral Finance

Instructors:

Oliver Spalt, Professor of Behavioral Finance, Tilburg University.

Alberto Manconi, Assistant Professor of Finance, Bocconi University.

Course objectives:

Introduce the concepts and applications of behavioral finance.

Course outline:

In the past 30 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. The course will go through:

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

Assessment:

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

Slides will be made available to students before each session. Students are responsible for bringing printouts to class. Laptops, tablets and phones are not allowed in class.

Some Great Introductory Readings:

Daniel Kahneman: Thinking Fast and Slow, Farrar, Straus and Giroux; 1st edition, 2013

Justing Fox: The Myth of the Rational Market, Harper Business, 2009

Richard Thaler: Misbehaving, W. W. Norton & Company; 1 edition, 2016

George Akerlof and Robert Shiller: Phising for Phools: The Economics of Manipulation and Deception, Princeton University Press; Reprint edition, 2016

Initial Reading for the part of Prof. Spalt (please read the parts pertaining to Fama and Shiller):

Nobel Prize 2013, Background Document: <https://www.nobelprize.org/uploads/2018/06/advanced-economicsciences2013.pdf>