

## 4MFCEZ22 - Behavioral Finance

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**Professor:** Marie-Pierre Dargnies  
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**Department:** MSO  
**Semester:** 2  
**Program:** M1 Finance

**Course level:** Graduate (M1)  
**Domain:** Finance  
**Teaching language:** English  
**Number of in-class hours:** 36  
**Number of course sessions:** 12 + Exam  
**ECTS:** 3

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### Course description and objectives

Behavioral economics and finance consist in increasing the realism of the psychological underpinnings of economics and finance. Indeed, standard economics and finance rely on strong assumptions (including the rationality of agents) that lead to predictions that are often far from the behaviors actually observed. The aim of this course is to review empirical (often experimental) evidence of the gap between the predictions of standard finance and real-life behaviors, and use these evidence to add realism to theoretical models always with parsimony (we do not aim at replacing altogether standard economics and finance).

### Prerequisites

Undergraduate micro (expected utility theory), conditional probabilities.

### Learning outcomes

At the end of the course, students will be able to understand 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 can use it in different contexts.

### Assignments and grading

- Final exam only

The numerical grade distribution will dictate the final grade. The passing grade for a course is 10/20.

**Class participation:** Active class participation – this is what makes classes lively and instructive. Come on time and prepared. Class participation is based on quality of comments, not quantity.

**Exam policy:** In the exam, students will not be allowed to bring any document (except if allowed by the lecturer). Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

## Course structure

Session	Topic
1	Intro/ Alternatives to expected utility theory
2	Alternatives to expected utility theory
3	Alternatives to expected utility theory
4	Time preferences
5	Time preferences
6	Time preferences
7	Overconfidence
8	Overconfidence
9	Bayesian updating and cognitive heuristics
10	Bayesian updating and cognitive heuristics
11	Behavior in strategic situations
12	Behavior in strategic situations
12	<b>Final Exam</b>

## MyCourse

This course is on MyCourse: **No**

All necessary material is on my website:

<https://sites.google.com/view/mariepierredargnies/home>

## Academic integrity

Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.

Academic calendar

Dates (Monday/Sunday)		MSO
06/01/20	12/01/20	M1 droit / SG / S.ECO/S.SSO **
13/01/20	19/01/20	1
20/01/20	26/01/20	2
27/01/20	02/02/20	3
03/02/20	09/02/20	4
10/02/20	16/02/20	5
17/02/20	23/02/20	6
24/02/20	01/03/20	Holidays
02/03/20	08/03/20	7
09/03/20	15/03/20	8
16/03/20	22/03/20	9
23/03/20	29/03/20	10
30/03/20	05/04/20	11
06/04/20	12/04/20	12
13/04/20	19/04/20	Holidays
20/04/20	26/04/20	Review w.
27/04/20	03/05/20	Exams
04/05/20	10/05/20	