May 26-29-30, 2017

Behavioral Finance

This course aims for introducing forefront topics in Macroeconomics. In particular, the course provides an overview of the latest models of asset pricings which consider behavioral perspectives. It will be analyzed the notion of Efficient Markets due to Fama et al. and then introduced the issues arisen by behavioral finance. I shall take into account the recent models of the representativeness heuristic in finance and I shall depict a new model by which cognitive limits in understanding signals become a crucial friction for Market Efficiency if rational agents cannot absorb arbitrage opportunities quickly and efficiently.

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Bibliography:

Inefficient Markets: An Introduction to Behavioral Finance
Andrei Shleifer (2000)

Stereotypes
Bordalo P., Coffman K., Gennaioli N., Shleifer A. (2016)

Representativeness Heuristic in Economics
Strati F. (2017)

Classic Rational Bubbles and Representativeness
Ferrara M., Pansera A. B., Strati F. (2017)

LECTURES:

Lecture I: Efficient Markets: information and rational agents

Lecture II: Behavioral Finance: Heuristics and Biases

Lecture III: Behavioral Vs Rational Bubbles