

## Bachelor Block Seminar in Behavioral Economics

### „Behavioral Finance“

Winter Term 2016/17

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In the winter term 2016/17 the chair of Experimental Economics offers a block seminar in Behavioral Finance. The main focus of the seminar will be the analysis of irrational investor behavior on financial markets. The seminar will deal with several aspects such as psychological approaches, decision heuristics, the impacts of investor sentiments, and neuro economic approaches. The topics are based on 2-3 economic research papers. These papers will serve as main sources. However, the participants have the possibility to extend the literature.

Participants are required to submit a seminar paper (approx. 15 pages) and present it in class (20 minutes).

Max. number of participants: 20 participants

Language: English

#### Dates:

First Meeting: Thu, October 27, 2016  
Time: 2-3:30 pm  
Room: Blue Tower/MZG, 6.115

Topic assignment: Topics will be assigned in the first meeting. Afterwards, the remaining topics may be requested by sending an e-mail to [editha.niemann@uni-goettingen.de](mailto:editha.niemann@uni-goettingen.de). (Please indicate your ranked top 3 preferences). Topics will be assigned on a "first-come-first-serve" basis.

Deadline to enroll and (withdraw): November 4, 2016 in FlexNow

Deadline for seminar papers: Fri, January 6, 2017 (Online upload on Stud.IP)

Date for the blocked seminar: January 12 and 13, 2017  
(9 am to 5 pm, room: MZG 6.115)

Contact: If you have further questions, please contact J.-Prof. Dr. Rau  
[holger.rau@uni-goettingen.de](mailto:holger.rau@uni-goettingen.de)

## Seminar Topics

<b>1. Market Efficiency</b>	
<p><b>Topic (a):</b></p> <p>Paper(s):</p>	<p><b><i>The Efficient Markets Theory and the Movement toward Behavioral Finance</i></b></p> <p>The Efficient Market Hypothesis and its Critics Burton Malkiel (2003), <i>Journal of Economic Perspectives</i> 17, 59-82.</p> <p>From Efficient Markets Theory to Behavioral Finance Robert Shiller (2003), <i>Journal of Economic Perspectives</i> 17, 83-104.</p>
<p><b>Topic (b):</b></p> <p>Paper(s):</p>	<p><b><i>Market Bubbles – Experimental Evidence</i></b></p> <p>Bubbles, Crashes, and Endogenous Expectations in Experimental Spot Asset Markets Vernon Smith, Gerry Suchanek, and Arlington Williams (1988), <i>Econometrica</i> 56, 1119-1151.</p> <p>Bubbles and Experience: An Experiment Martin Dufwenberg, Tobias Lindqvist, and Evan Moore (2005), <i>American Economic Review</i> 95, 1731-1737.</p> <p>Thar She Bursts: Reducing Confusing Reduces Bubbles Michael Kirchler, Jürgen Huber, and Thomas Stöckel (2012), <i>American Economic Review</i> 102, 865-883.</p>
<b>2. Decision under Uncertainty</b>	
<p><b>Topic (a):</b></p> <p>Paper(s):</p>	<p><b><i>Heuristics, Biases and the Hot-Hand Phenomenon</i></b></p> <p>Judgment under Uncertainty: Heuristics and Biases Amos Tversky, and Daniel Kahneman (1974), <i>Science</i> 27, 1124-1131.</p> <p>Does the Basketball Market Believe the „Hot-Hand“? Colin Camerer (1989), <i>American Economic Review</i> 79, 1257-1261.</p> <p>Do Hot Hands Exist among Hedge Fund Managers? An Empirical Evaluation Jagannathan, R., Malakhov, A., &amp; Novikov, D. (2010), <i>The Journal of Finance</i> 65, 217-255.</p>

<p><b>Topic (b):</b></p> <p>Paper(s):</p>	<p><b><i>Prospect Theory and its Application</i></b></p> <p>Prospect Theory: An Analysis of Decision under Risk Daniel Kahneman and Amos Tversky (1979), <i>Econometrica</i> 47, 263-291.</p> <p>Toward a Positive Theory of Consumer Choice Richard Thaler (1980), <i>Journal of Economic Behavior &amp; Organization</i> 1, 39-60</p>
<p><b>3. Loss Aversion</b></p>	
<p><b>Topic (a):</b></p> <p>Paper(s):</p>	<p><b><i>The Equity Premium Puzzle</i></b></p> <p>An Experiment on Risk Taking and Evaluation Periods Uri Gneezy, and Jan Potters (1997), <i>Quarterly Journal of Economics</i> 112, 631-645.</p> <p>The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test Richard Thaler, Amos Tversky, Daniel Kahneman, and Alan Schwartz (1997), <i>Quarterly Journal of Economics</i> 112, 647-661.</p> <p>The Equity Premium Puzzle Jeremy Siegel and Richard Thaler (1997), <i>Journal of Economic Perspectives</i> 11, 191-200.</p>
<p><b>Topic (b):</b></p> <p>Paper(s):</p>	<p><b><i>The Endowment Effect</i></b></p> <p>Experimental Tests of the Endowment Effect and the Coase Theorem Daniel Kahneman, Jack Knetsch, and Richard Thaler (1990), <i>Journal of Political Economy</i> 98, 1325-1348.</p> <p>Does Market Experience Eliminate Market Anomalies? John List (2003), <i>Quarterly Journal of Economics</i> 118, 41-72.</p>
<p><b>4. Risk and Ambiguity</b></p>	
<p><b>Topic (a):</b></p> <p>Paper(s):</p>	<p><b><i>The Role of Risk Preferences</i></b></p> <p>Risk Aversion and Incentive Effects Charles Holt and Susan Laury (2002), <i>American Economic Review</i> 92, 1644-1655.</p> <p>Individual Risk Attitudes: Measurement, Determinants, and Behavioral Consequences Thomas Dohmen, Armin Falk, David Huffman, Uwe Sunde, Jürgen Schupp, Gert Wagner (2011), <i>Journal of the European Economic Association</i> 9, 1542-4774.</p>
<p><b>Topic (b):</b></p> <p>Paper(s):</p>	<p><b><i>Ambiguity Aversion &amp; the Home Bias</i></b></p> <p>Ambiguity Aversion and Comparative Ignorance Craig Fox, and Amos Tversky (1995), <i>Quarterly Journal of Economics</i> 110, 585-603.</p> <p>Home Bias at Home: Local Equity Preference in Domestic Portfolios</p>

	Joshua Coval, and Tobias Moskowitz (1999), <i>The Journal of Finance</i> 54, 2045-2073.
<b>Topic (c):</b>  Paper(s):	<b><i>Ambiguity Aversion on Markets</i></b>  Reaction to Public Information in Markets: How Much does Ambiguity Matter? Brice Corgnet, Praveen Kujal, and David Porter (2013), <i>Economic Journal</i> 123, 699-737.  Does Ambiguity Aversion Survive in Experimental Markets? Sascha Füllbrunn, Holger Rau, and Utz Weitzel (2014), <i>Journal of Economic Behavior &amp; Organization</i> 107B, 810-826.
<b>5. Investor Psychology</b>	
<b>Topic (a):</b>  Paper(s):	<b><i>Overconfidence on Financial Markets</i></b>  Overconfidence of Professionals and Lay Men: Individual Differences Within and Between Tasks? Markus Glaser, Thomas Langer, and Martin Weber (2005), <i>SFB 504 Working Paper</i> 05-25.  Boys will be Boys: Gender, Overconfidence, and Common Stock Investment Brad Barber, and Terrance Odean (2001), <i>Quarterly Journal of Economics</i> 116, 261-292.
<b>Topic (b):</b>  Paper(s):	<b><i>The Role of Weather Effects</i></b>  Stock Prices and Wall Street Weather Edward Saunders, Jr. (1993), <i>American Economic Review</i> 83, 1337-45.  Weather and Intraday Patterns in Stock Returns and Trading Activity Shao-Chi Chang, Sheng-Syan Chen, Robin Chou, and Yueh-Hsiang Lin (2008), <i>Journal of Banking &amp; Finance</i> 32, 1754-1766.  Spanish Stock Returns: Where is the Weather Effect? Angel Pardo, and Enric Valor (2003), <i>European Financial Management</i> 9, 117-126e.
<b>Topic (c):</b>  Paper(s):	<b><i>The Influence of Mental Accounting</i></b>  Mental Accounting Matters Robert Thaler (1999), <i>Journal of Behavioral Decision Making</i> 12, 183-206.  Do Investors Integrate Losses and Segregate Gains? Mental Accounting and Investors Trading Decisions Sonya Seongyeon Lim (2006), <i>Journal of Business</i> 79, 2539-2573.

<b>6. Market Phenomena</b>	
<p><b>Topic (a):</b></p> <p>Paper(s):</p>	<p><b><i>Investors and the Disposition Effect</i></b></p> <p>The Disposition to Sell Winners too Early and Ride Losers too Long: Theory and Evidence Hershel Shefrin and Meir Statman (1985), <i>The Journal of Finance</i> 40, 777-790.</p> <p>The Disposition Effect in Securities Trading: An Experimental Analysis Martin Weber and Colin Camerer (1998), <i>Journal of Economic Behavior</i> 33, 167-184.</p> <p>The Disposition Effect in Team Investment Decisions: An Experimental Analysis Holger Rau (2015), Available at SSRN: <a href="http://ssrn.com/abstract=2223728">http://ssrn.com/abstract=2223728</a>.</p>
<p><b>Topic (b):</b></p> <p>Paper(s):</p>	<p><b><i>Herding on Markets</i></b></p> <p>Learning from the Behavior of Others: Conformity, Fads and Informational Cascades Sushil Bikchandani, David Hirshleifer, and Ivo Welch (1998), <i>Journal of Economic Perspectives</i> 12, 151-170.</p> <p>Herding and Contrarian Behavior in Financial Markets: An Internet Experiment Matthias Drehmann, Jörg Oechssler, and Andreas Roeder (2005), <i>American Economic Review</i> 95, 1403-1426.</p> <p>An Empirical Analysis of Herd Behavior in Global Stock Markets Thomas Chiang, and Dazhi Zheng (2009), <i>Journal of Banking and Finance</i> 34, 1911-1921.</p>
<b>7. Gender Differences in Finance</b>	
<p><b>Topic</b></p> <p>Paper(s):</p>	<p><b><i>Gender Differences on Financial Markets</i></b></p> <p>Men, Women and Risk Aversion: Experimental Evidence Catherine Eckel, and Philip Grosman (2008), <i>Handbook of Experimental Economics Results Vol. 1, Ch. 113, pp. 1061-1073, C. Plott, V. Smith, eds., New York, Elsevier, 2008. Available at SSRN: <a href="http://ssrn.com/abstract=1883693">http://ssrn.com/abstract=1883693</a></i></p> <p>Thar 'She' Blows? Gender, Competition, and Bubbles in Experimental Asset Markets Catherine Eckel, and Sascha Füllbrunn (2015), <i>American Economic Review</i> 105, 906-920.</p> <p>The Disposition Effect and Loss Aversion: Do Gender Differences Matter? Holger Rau (2014), <i>Economics Letters</i> 123, 33-36.</p>

<b>8. The Neuroeconomic Perspective</b>	
<p><b>Topic (a)</b></p> <p>Paper(s):</p>	<p><b><i>How Regret Influences Decision Making</i></b></p> <p>Anticipated Regret, Expected Feedback and Behavioral Decision Making Marcel Zeelenberg (1999), <i>Journal of Behavioral Decision Making</i> 12, 93-106.</p> <p>Brain, Emotion and Decision Making: The Paradigmatic Example of Regret Giorgio Coricelli, Raymond Dolan, and Angela Sirigu (2007), <i>Trends in Cognitive Sciences</i> 11, 258-265.</p> <p>Interdependent Utilities: How Social Ranking Affects Choice Behavior Nadège Bault, Giorgio Coricelli, and Aldo Rustichini (2008), <i>PloS one</i> 3.10, e3477.</p>
<p><b>Topic (b)</b></p> <p>Paper(s):</p>	<p><b><i>Hormones and their Impact on Risk Taking and Trust</i></b></p> <p>Testosterone and Financial Risk Preferences Coren Apicella, Anna Dreber, Benjamin Campbell, and Peter Gray (2008), <i>Evolution and Human Behavior</i> 29, 348-390.</p> <p>Oxytocine Increases Trust in Humans Michael Kosfeld, Markus Henrichs, Paul Zak, Urs Fischbacher, and Ernst Fehr (2005), <i>Nature</i> 435, 673-676.</p> <p>Testosterone Decreases Trust in Socially Naïve Humans Peter Bos, David Terburg, and Jack van Honk (2010), <i>Proceedings of the National Academy of Sciences</i> 107, 9991-9995.</p>