Economics 437: Behavioral Finance
(Wilson Auditorium)

Professor Edwin T. Burton
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Office Hours: Tues, Wed, Thurs 11-12 AM at 1900 Arlington Blvd Office (see below).
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Prospective students should take careful note of the office hours schedule and the office hour location. If this schedule conflicts with your classes or the location is difficult for you, you should consider not taking this course (office hours are important to you). Also, note exam dates that are posted. There are no make-ups. If you must miss an exam, you will need an excused absence and then your remaining exams will be re-weighted to constitute your overall grade. Not being able to take the final as scheduled will result, at best, in an incomplete. For 4th years, this could jeopardize graduation. Missing any scheduled examination will require and excused absence.

Class meets on Tuesdays and Thursdays from 9:30 AM until 10:45 AM. There is a considerable amount of reading in this course. The required books are the following:

(Although it is not required reading for this course, those of you who are sports enthusiasts should pick up a copy of Scorecasting by Tobias Moskowitz and Jon Wertheim, 2011. This would be a great book to read during the holidays and is relevant to Economics 437)


Thinking, Fast and Slow by Daniel Kahneman, Farrar Straus and Giroux, 2011.
Inefficient Markets: An Introduction to Behavioral Finance by Andrei Shleifer, Oxford University Press, 2000

In addition to the three books above, there are numerous journal articles that are available through the toolkit for this course. All students registered in this course have automatic access to these articles. For copyright reasons, if you are not registered for this course, you cannot access these articles online at the toolkit site, but must find the articles on your own.

Mid Term I, Tuesday, March 3, 2015
Mid Term II, Thursday, April 16, 2015
Final Exam, Thursday, May 7 2015 at 2PM in the Wilson Auditorium

Lectures:
January 13, 2015: Introduction to Behavioral Finance
January 15-20, 2015: FMI and It's Critics - A Summary
January 22-27, 2015: Black on Noise, Intro to Shleifer Model
January 29, The Shleifer Noise Trader Model
February 3, 2015: Wrap up Noise Traders. On To Exp Value: Exp Utility
February 6, 2015: Growth, Public/Private Cost (Exp Value or Exp Utility)
Reading:

Jan 12 - 19: The Great Debate -- The Efficient Market Hypothesis and Its Critics

Shleifer, Chapter 1, pp 1-27
Makkel (online on Collab)
Shiller (online on Collab)
Fama (1970)(online on Collab)

Jan 21 - Feb 10: Noise Trader Equilibrium - “The Limits to Arbitrage”

Black article online at Collab
Shleifer, Chapter 2, pp. 28-52 (or Shleifer, Waldman, Summers, et al article on Collab)
Burton & Shah, pp 1 - 51

Feb 19 - 26: Introduction to Anomalies

Kahneman (2011): Part I: Chapters 1 and 2; Part IV: Choices (all); Part II Heuristics & Biases (all)
Burton & Shah: Chapters 11, 10, 12

First Mid Term Examination: Tuesday, March 3, 2015

Mch 17-: April 2: Anomalies

Kahneman, “Thinking, Fast and Slow,” entire book
Burton & Shah, pp. 81 -143

April 7 - 14: Fama French on CAPM

“Fama and French” on Collab

Second Mid Term Examination, Thursday, April 16, 2015

April 21 - 30: Mean Reversion, P/B, Value Investing, Price Momentum


“DeBondt and Thaler” on Collab
“Jegadeesh and Titman” on Collab
“Lakonishok, Vishny, Shiller” on Collab
Lakonishok and Smidt on Collab
Cooper, McConnell, Osterlinnikov on Collab

May 7, 2015: Final Examination 2 PM - 5 PM in Wilson Auditorium

Two mid terms and one final exam, weighted 30%, 30%, and 40% respectively. The individual exam grades are adjusted to be a percentage of the mean for that particular exam before applying the weighting.

The final examination is cumulative. The final examination is scheduled for Thursday, May 7, 2015 beginning at 2 PM and ending at 5 PM. No examination may be skipped without a bona-fide excused absence (illness, etcetera). There is no option available for missing exams.

Please Note: If you cannot make the examinations as scheduled, please do not take this course. We do not give make-up examinations. If you are unable to take the final on time as schedule, you will, at best, receive an incomplete for this course. There are no exceptions.

The Main Topics Covered In This Course Are:

1. Noise Trader Equilibrium Models, Limits to Arbitrage
2. Irrationalities - the Kahneman Tversky Thaler critique of rationality
3. Mean Reversion, The Over and Under-reaction Hypotheses, Serial Dependence in Returns

http://people.virginia.edu/~etb60/econ437_15.html