Department of Economics
Carleton University

ECON 4057 A – Behavioural Financial Economics

2021 Winter: the course takes place online at cuLearn and is asynchronous (there are no required live meetings)

Instructor Contact Information
Professor: Radovan Vadovic,
Email: radovan.vadovic@carleton.ca
Contact: I will be available online every week on BigBlueButton between 1 and 2:30pm. I will be available by appointment any of the weekdays (Mon/Tue/Wed/Thr/Fri) between 1 and 2pm ET via either BigBlueButton or MSTeams.

Prerequisites
ECON 2030 with a grade of C- or higher or ECON 2003 (no longer offered) with a grade of C- or higher, and ECON 3050 with a grade of C- or higher. Students who believe they have taken a similar background course or courses from another university must provide appropriate documentation to the Department of Economics Undergraduate Administrator.

Course Description
The course will focus on exploring the role of human psychology in economic decision-making with financial applications. Students will learn about several important psychological biases that influence the way people make choices, such as, gamblers and hot hand fallacy, loss aversion, temptation and present bias. Examples and in-class exercises will complement the discussion and will give students some tangible exposure to issues at hand.

Required book
Belsky, Gary & Tomas Gilovich: Why Smart People Make Big Money Mistakes, Simon & Schuster, 2010
This course will take place online. The online platform is cuLearn. All material will be posted there. You are responsible for checking cuLearn frequently for updates to the course material. The course is asynchronous: to accommodate for students’ various circumstances, your active (live) participation is not required. However, during our class time I will be available on Big Blue Button. I will be happy to discuss the material and answer questions. I will also work with individual students or/and teams of students on their assignments or group projects.

The course material will consist of the following items:

1. Required assigned readings from the main book and scientific articles;
2. Weekly lecture videos recorded in Kaltura and posted on cuLearn;
3. Lecture notes/slides including the material from the video lectures.
4. Other notes containing extra material (if I feel I need to provide extra material on various topics).
5. Problem sets and solutions posted on cuLearn

Examinations and Grading Policy

<table>
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<tr>
<th>Evaluation Item</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>10%</td>
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<tr>
<td>Group project and video presentation</td>
<td>30%</td>
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<tr>
<td>1-page assignments</td>
<td>30%</td>
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<tr>
<td>Take-home final examination</td>
<td>30%</td>
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Each evaluation item will be graded on a 100-point scale. The final scores will be combined using the weights above and then translated into an alphabetical final grade in accordance with the percentage equivalents described in the Undergraduate Calendar. If you have any questions about any graded assignment, please contact the instructor no later than 2 weeks after your grade has been posted on cuLearn.

Students who can document a compelling reason for failing to submit a graded assignment on time will be accommodated, and the weight of this assignment will then be spread over the remaining graded items in that category. Students must inform the instructor of their circumstances regarding missing a deadline in advance, if possible.

Failing to submit an assignment on the due date, by midnight of Ottawa time (ET), will carry a penalty of 10% per day for the next 5 days. After that, the score will drop to 0%.

1-page assignments: About every two weeks I will select one concept (e.g., behavioural bias) from our lecture and your task will be to search the media space – newspapers, magazines or blogs – for a credible article or posting discussing a news or a topic form business/finance
setting, where the assigned concept directly confirms or refutes the claims made in the article. The article cannot mention the assigned concept itself by the name. More detail on these assignments will be provided in class.

You will submit 1-page write up in which you:
1. summarize the content of the article;
2. explain how assigned concept relates to the situation discussed in the article; and
3. whether the claims in the article are confirmed or refuted by game theoretic analysis.

The evaluation will be based on the degree to which the assignment is: correct (85%), challenging and unique (25%).

Presentations: Depending on the number of students I will divide the class into several groups (or about 5 students each). Each group will be assigned a chapter from the book by Belsky and Gilovich and will augment that chapter in two different ways:
1. You will add a relevant insight from an academic literature; and
2. You will add two practical applications (e.g., business cases) from real-life ongoing events discussed in the media.

Each group will write up 5-page report, prepare a presentation and record 15-20 minute video presenting their work. The report will have the following structure:
1. (1 page) Provide the summary of the chapter;
2. (2 pages) Provide one insight from the academic literature, such as a theoretical result or empirical test, that is relevant to the main theme of the chapter. Include at least two references; you will highlight one particular game from the chapter that will be discussed in detail;
3. (1 page + 1 page) Provide two examples from the current ongoing events or past business cases that illustrate the main theme of the chapter unfold in practice. Support each of your examples by at least 1 reference from credible media space sources.

Further instructions on this will be provided in class. I will reserve some class-time for groups to work on their presentations.

Participation: Each class assignment that you turn in to me on time, and which receives a passing grade, will earn you a point. Your participation score will be calculated as the number points earned during the term divided by the number of total points possible.
**Satisfactory performance criteria:** Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). Failing performance on participation and bi-weekly assignments class component (without a documented compelling reason) will result in a grade of FND (“Failure with No Deferred final examination allowed”). Failure to write the final examination when the student has achieved satisfactory performance during the term will result in a grade of ABS (“ABSent from a required final examination”). Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Dean. Application to write a deferred final examination must be made at the Registrar’s Office.

**Other policies**

Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at [www.carleton.ca/economics/courses/writing-preliminaries](http://www.carleton.ca/economics/courses/writing-preliminaries).

Classroom teaching and learning activities, including lectures, discussions, presentations, etc., by both instructors and students, are copy protected and remain the intellectual property of their respective author(s). All course materials, including PowerPoint presentations, outlines, and other materials, are also protected by copyright and remain the intellectual property of their respective author(s).

Students registered in the course may take notes and make copies of course materials for their own educational use only. Students are not permitted to reproduce or distribute lecture notes and course materials publicly for commercial or non-commercial purposes without express written consent from the copyright holder(s).

**Other University Policies**

For policies on academic accommodations regarding pregnancy obligation, religious obligation, academic accommodations for students with disabilities, survivors of sexual violence, please consult [https://students.carleton.ca/course-outline](https://students.carleton.ca/course-outline).

Also consult equity services at [www.carleton.ca/equity/accommodation](http://www.carleton.ca/equity/accommodation), the Paul Menton Centre at [www.carleton.ca/PMC/students/accommodations](http://www.carleton.ca/PMC/students/accommodations), and the Undergraduate Calendar at [calendar.carleton.ca/undergrad/undergraduniversity/selectedsenatepolicies](http://calendar.carleton.ca/undergrad/undergraduniversity/selectedsenatepolicies).