

**Department of Economics
Carleton University**

Winter 2023: ECON 4057 A – Behavioural Financial Economics

Course Information

Professor: Radovan Vadovic

D-896 Loeb, 613-520-2600 x 1509, radovan.vadovic@carleton.ca

Lectures: Mondays at 2:35-5:25, Tory Building 236

Office hours: Wednesdays 14:00 – 15:30

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.

Readings

Belsky, Gary & Tomas Gilovich: *Why Smart People Make Big Money Mistakes*, Simon & Schuster, 2010

The course material will consist of the following items:

1. Required assigned readings (will be posted on Brightspace);
2. Lecture notes/slides including the notes that you take in class. You must have a functional version of MS Word and MS Excel on your computer;

4. Other notes and spreadsheets containing extra material (if I feel I need to provide extra material on various topics).

Examinations and Grading Policy

Class Participation:	10%
Group project and video presentation: Due on the day of the final examination.	30%
Midterm examination (in-class 2 hours in duration): Takes place on the 13 th of February.	25%
Final examination (in-person 2 hours in duration): Formally scheduled by the university. (The final examination is not cumulative.)	35%

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 Brightspace.

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%.

Group project: 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 topic (could be a chapter from the book by Belsky and Gilovich or other) 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 7-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. (1 to 2 pages) highlight one leading (most representative) example from the chapter and discuss it in detail; relate to the material discussed in class lectures.

3. (1 to 2 pages) 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 sources.
4. (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 academic references;

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

Participation: Each time I collect a record of your participation in any type of class activity, such as, you turn in an assignment with a passing grade or you participate in a game or class exercise, you earn a participation 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 serious offence at Carleton and should be recognized and avoided. For information on how to do so, please see “Academic Integrity and Offenses of Conduct” at (<https://carleton.ca/economics/courses/writing-preliminaries/academic-integrity-and-offenses-of-conduct>).

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>.

Also consult equity services at www.carleton.ca/equity/accommodation, the Paul Menton Centre at www.carleton.ca/pmc/students/accommodations, and the Undergraduate Calendar at calendar.carleton.ca/undergrad/undergraduniversity/selectedsenatepolicies.