



COURSE TITLE

Psychology and Economics using Experimental Methods

LECTURERS:

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AIMS OF THE COURSE

- providing summer school participants with in-depth knowledge and broadenig their intuition of the impact of psychological factors and various behavioral phenomena on decision making process and behavior of market participants,
- preparing participants to observe how psychological factors and behavioral phenomena affect the movement of prices, returns and trading volume at the market, as well as the investment, capital structure and dividend decisions of a company,
- supporting participants to apply gained behavioral knowledge in financial management and investment decisions,
- learning participants how to make good experimental design,
- classic economic theories, practices and models will be enriched by concepts such as limited rationality, limited arbitrage, time discounting, self-control, as well as different judgement biases and heuristics.

COURSE TOPICS

- From Traditional to Behavioral Finance: reviewing the sustainability of the hypotheses and assumptions of traditional finance
- Heuristics and Biases
- Prospect Theory and Cumulative Prospect Theory
- Limited Arbitrage and Belief Heterogeneity
- Behavioral Corporate Finance
- Time Discounting, Time Preference and Intertemporal Choice Theory
- Economic experiment as a methodology of behavioral finance
- Experiment about Quasi-Hyperbolic Discounting
- Asset Price Bubbles - Theoretical Approach and Practical Class in Experimental Lab
- Impact Investing – Theoretical Approach and Practical Class in Experimental Lab
- Propensity score methods – Nonrandomised (observational) studies



COURSE OBJECTIVES

Upon completion of the course it is expected that the student is able:

- to interpret decisions of market participants who are not perfectly rational, use heuristics in a wrong way and manifest biases in decision-making,
- to explain how two decision-making systems, heuristic and expert one, function and interact in decision-making process,
- to analyse the impacts of behavioral phenomena on firm's investment and dividend policy, its capital structure, M&A transactions and corporate governance
- to apply basic principles of the design of economic experiment,
- to apply propensity score methods in order to mitigate confounding bias when estimating causal effects in observational studies.

EVALUATION

The course participant can achieve a total of 100 points through the following activities:

- Economic experiment in the lab (group decision making): 50 points
- Economic experiment in the form of questionnaires (individual decision making): 10 points
- Discussion at classes: 40 points