Behavioral and Experimental Finance

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There is a growing strand of research work suggesting that the standard economic paradigm: rational investors in an efficient market – does not adequately describe behavior in financial markets. In this course, we will explore part of this literature. The basic premise of Experimental Economics is that economic and financial theories can be tested in a controlled laboratory setting. In this course you will participate in experiments that will illustrate some of the insights and findings of behavioral finance.

1 Practical Issues

Time:
The class meets once a week, total of 3 meetings. Each class time is divided to 4 sessions:
- Session 1: 9:00 – 10:30
- Session 2: 10:45 – 12:00
- Session 3: 13:00 – 14:30
- Session 4: 14:45 – 16:00

Blackboard:
Announcements, readings, notes, problem sets and the solutions will be posted on my blackboard course page throughout the course so please check it regularly.

Teaching Assistants:
TBA

Office Hours:
I will be available immediately after class for questions. You are welcome to set up an appointment with me by email to discuss the course material or the final project.

Classroom:
Your behavior should respect your classmates desire to learn. Each lecture begins exactly on time. Try not to come late. If you carry a cell phone, turn it off before entering class.

Optional classes:
There will be an optional final review class.
2 Grading and Studying

Grading:
Grades will be based on the final exam (40%), final project (45%) and problem sets (15%).

Problem Sets:
There will be 2 problem sets. You will be rewarded full credit on a problem set if you have made a good-faith effort to answer all of the questions, and if you hand in your answers on time. Late problem sets will not be accepted. Although you are encouraged to work in groups on the problem sets, you must hand in your own answers. You will get the highest score for the problem sets if you get credit on one problem set out of two (in other words, you are allowed to miss one problem set).

The course website contains suggested additional activities, experiments and challenges. These are optional and will not be graded.

Exam:
The course has a final exam. You will be allowed one double-sided page of notes for the final exam. Neither laptops nor palm pilots are allowed on the exam. To prepare for the exam, you should review the key issues discussed in class, in the readings and in the handouts, review the problem sets you handed in, and do the sample exam.

Code of Conduct:
You are responsible for maintaining Stern’s code of conduct which mandates zero tolerance for cheating and plagiarism. Violations of the code of conduct will be prosecuted with a minimum penalty of failure for the course, as required by the code of conduct rules. If you become aware of any violations of the code of conduct you must take whatever steps are necessary to stop the violators.

Experiments:
Active participation in the experiments is an integral part of the course.

3 Textbooks

There will not be a required textbook for this course, yet there will be suggested books that will complement the class material.