

Microeconomics 3 cod 40054
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Description/motivation: The course is conceived as a modern and rigorous introduction to decision theory that accounts for the different aspects that are relevant in socio-economic environments. It is divided into two parts with a parallel structure. In the first part the approach is that of classical decision paradigm: unlimited rationality; in contrast, the second part presumes that the decision maker has only bounded reasoning abilities. For each of these, the course considers in turn static and intertemporal choice, as well as individual and social learning.

Part I: Uncertainty and information

1. Decision under uncertainty and expected utility theory
2. Stochastic dominance, risk aversion and insurance
3. Value of information
4. Optimal experimentation and social learning

Part II: Bounded rationality

5. Choice anomalies: framing, status-quo bias, Allais and Ellsberg paradoxes, time inconsistency.
6. Prospect theory, case-based theory
7. Hyperbolic discounting: time-inconsistency
8. Individual learning under reinforcement: probability matching
9. Social learning: DeGroot learning and influence bias
10. Diffusion: the “epidemics” of information on a social network