

Economie de l'Incertain et de l'Information

Master Statistique Econométrie, niveau M1

Faculté des sciences économiques, Université de Rennes 1

Spring 2017

SYLLABUS

- Version : 3 janvier 2017 -

INSTRUCTOR

Christoph Heinzl (Email: Christoph.Heinzl@inra.fr).

LECTURE TIME, PLACE, AND LANGUAGE

Thursday and Friday 13h30-15h30; for the exact dates and places see the Schedule of Topics below.

The lecture will be held **in English**. Questions will be welcome in English and French, but answers rather be given in English. The exams will be bilingual, you can choose whether to answer them in English or in French.

TEXTBOOK / LITERATURE

The course refers in part to two textbooks:

[EGS'05] Eeckhoudt, Louis, Gollier, Christian and Harris Schlesinger: *Economic and Financial Decisions under Risk*. Princeton University Press, 2005 (chapters 1, 3, 6, 12, 13)

[Chavas] Chavas, Jean-Paul: *Risk Analysis in Theory and Practice*. Elsevier, 2004 (chapters 1-5)

In addition, the course is based on scientific articles, which are made available on the course website. These articles are only relevant for the exams to the extent that they are discussed in class. Thus, students are not expected to fully understand these articles.

OBJECTIVES

This course gives an introduction to the economics of risk and time at an intermediate level. The topics cover a reminder of basic concepts, higher-order risk and time preferences, the measurement of relevant preferences, time-related applications, and the theory of insurance. The focus is on familiarizing with important concepts, and the economic intuition related to their application. In accordance with the research methods in the economics of risk and time, some basic knowledge of calculus and statistics is required.

SCHEDULE

The Schedule of Topics can be found at the end of this syllabus.

ATTENDANCE / CONTACT TO INSTRUCTOR

Class attendance is required. As the course does not adhere to a particular textbook, the material covered is defined by the lecture slides. Moreover, exercises and tests will be conducted or discussed in class.

There are no office hours. Contact to the instructor outside the classroom is possible by email to the above address. I will answer either directly or in the next lecture.

GRADING AND EXAMS

This course includes **two Tests** (30 min on 13/01 and 27/01) and a **Final Exam** (2h on 09/02). The exams can be answered either in English or in French. The final mark derives as the weighted average of the three exams (15% each Test, 70% Final Exam).

SCHEDULE OF TOPICS

Lecture 1 (05/01; Salle de travail):

Overview, Basic Concepts I (EGS'05 ch. 1, Chavas ch.s 1-4; Pratt'64)

Lecture 2 (06/01; Salle de travail):

Basic Concepts II: Prudence; Risk Comparisons (EGS'05 ch. 6; Kimball'90)

Lecture 3 (12/01; Salle de travail):

Measurement of Risk and Time Preferences (Holt-Laury'02)

Lecture 4 (13/01; S6):

TEST 1 (30min). Two-Period Consumption/Saving Model under Risk *Revisited*

Lecture 5 (19/01; Salle de travail):

Expected Utility: Criticisms, Extensions, and Alternatives (EGS'05 ch. 13)

Lecture 6 (20/01; S6):

Discounting a Risky Future I

Lecture 7 (26/01; Salle de travail):

Discounting a Risky Future II

Lecture 8 (27/01; S6):

TEST 2 (30min). Theory of Insurance I (EGS'05 ch.s 3, 12)

Lecture 9 (02/02; Salle de travail):

Theory of Insurance II (EGS'05 ch. 12)

Lecture 10 (09/02; Amphi 4):

FINAL EXAM (2h)