BUSFIN 4224
Behavioral Finance

SPRING 2026

January 13, 2026 - March 3, 2026

Professor:

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Office: 824 Fisher Hall
Office Hours: By Appointment

Class Time and Location:

BUSFIN 4224-0200 on TR 9:35am-10:55am Gerlach 305
BUSFIN 4224-0100 on TR 11:10am-12:30pm Gerlach 375

Description of the Course:

Over the past several decades, the field of finance has developed a successful paradigm based on the notions that investors and managers are generally rational and the prices of securities are generally "efficient." In recent years, however, anecdotal evidence as well as theoretical and empirical research has shown this paradigm to be insufficient to describe various features of actual financial markets. In this course we examine how the insights of behavioral finance complement the traditional paradigm and shed light on the behavior of asset prices, corporate finance, and various Wall Street institutions and practices.

The course is taught through lectures, case studies, and some selected research articles which I will make available. There is no required textbook, as there is not yet a suitable textbook available in this field. Grading is as follows:

30% Problem sets (2) and case write-up (1)
20% Quizzes (3)
50% Final exam

For the problem sets and case write-up, teams of up to three (but no more than three) may hand in joint solutions. Homework assignments will be submitted via Carmen by clicking on the "Assignments" tab. Quizzes must be completed alone and are graded based on completion. Quizzes will be completed on Carmen. Assignments and quizzes are due by 11:59pm on the denoted date, with a 10% penalty for each calendar day turned in late.

The final exam can't be rescheduled except under cases of extreme hardship. In such a case you should notify me in advance of the date of the final exam. All grade appeals must be made within one week of the return of the assignment or exam. Grade appeals will not be permitted after this one week deadline has passed.

Carmen:

Carmen will be the site for all course materials. All information relevant to the course will be available there.

Course Approach:

This is an upper-level elective. Much of the material will be conceptually challenging and will often build on what has been taught in the core courses. You should not take the course if you are not fully prepared to make an appropriate commitment.

Standard of Integrity:

All students enrolled in this course are responsible for abiding by the guidelines outlined in the University's Code of Student Conduct. According to University Rule 3335-31-02, all suspected cases of academic misconduct will be reported to the Committee on Academic Misconduct.

Use of AI:

The use of any AI-generated content in any deliverables in this course will be considered academic misconduct and will be acted on as such.

There has been a significant increase in the popularity and availability of a variety of generative artificial intelligence (AI) tools, including ChatGPT, Sudowrite and others. These tools will help shape the future of work, research and technology but when used in the wrong way, they can stand in conflict with academic integrity at Ohio State.

All students have important obligations under the Code of Student Conduct to complete all academic and scholarly activities with fairness and honesty. Specifically, students are not to use unauthorized assistance in the laboratory, on field work, in scholarship or on a course assignment unless such assistance has been authorized specifically by the course instructor. In addition, students are not to submit their work without acknowledging any word-for-word use and/or paraphrasing of writing, ideas or other work that is not your own. These requirements apply to all students undergraduate, graduate, and professional.

To maintain a culture of integrity and respect, these generative AI tools should not be used in the completion of course assignments unless an instructor for a given course specifically authorizes their use. Some instructors may approve of using generative AI tools in the academic setting for specific goals. However, these tools should be used only with the explicit and clear permission of each individual instructor, and then only in the ways allowed by the instructor.

Copyright:

The materials used in connection with this course may be subject to copyright protection and are only for the use of students officially enrolled in the course for the educational purposes associated with the course. Copyright law must be considered before copying, retaining, or disseminating materials outside of the course.

Disenrollment:

Fisher College University Rule 3335-8-33 provides that a student may be disenrolled after the third instructional day of the quarter, the first Friday of the quarter, or the student's second class session of the course, whichever occurs first, if the student fails to attend the scheduled course without giving prior notification to the instructor.

Religious Accommodations:

Ohio State has had a longstanding practice of making reasonable academic accommodations for students' religious beliefs and practices in accordance with applicable law. In 2023, Ohio State updated its practice to align with new state legislation. Under this new provision, students must be in early communication with their instructors regarding any known accommodation requests for religious beliefs and practices, providing notice of specific dates for which they request alternative accommodations within 14 days after the first instructional day of the course. Instructors in turn shall not question the sincerity of a student's religious or spiritual belief system in reviewing such requests and shall keep requests for accommodations confidential.

With sufficient notice, instructors will provide students with reasonable alternative accommodations with regard to examinations and other academic requirements with respect to students' sincerely held religious beliefs and practices by allowing up to three absences each semester for the student to attend or participate in religious activities. Examples of religious accommodations can include, but are not limited to, rescheduling an exam, altering the time of a student's presentation, allowing make-up assignments to substitute for missed class work, or flexibility in due dates or research responsibilities. If concerns arise about a requested accommodation, instructors are to consult their tenure initiating unit head for assistance.

A student's request for time off shall be provided if the student's sincerely held religious belief or practice severely affects the student's ability to take an exam or meet an academic requirement and the student has notified their instructor, in writing during the first 14 days after the course begins, of the date of each absence. Although students are required to provide notice within the first 14 days after a course begins, instructors are strongly encouraged to work with the student to provide a reasonable accommodation if a request is made outside the notice period. A student may not be penalized for an absence approved under this policy.

If students have questions or disputes related to academic accommodations, they should contact their course instructor, and then their department or college office. For questions or to report discrimination or harassment based on religion, individuals should contact the Office of Institutional Equity.

Other Information:

The university strives to maintain a healthy and accessible environment to support student learning in and out of the classroom. If you anticipate or experience academic barriers based on your disability (including mental health, chronic, or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, I may request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion.

If you are isolating while waiting for a COVID-19 test result, please let me know immediately. Those testing positive for COVID-19 should refer to the Safe and Healthy Buckeyes site for resources.

A reading list and tentative schedule are attached.

Schedule

Class	Topic	Notes
1. Tuesday, Jan 13	I. Non-Behavioral Finance	
2. Thursday, Jan 15	I. Non-Behavioral Finance	
3. Tuesday, Jan 20	II. Some Motivating Evidence	Quiz #1 Due
4. Thursday, Jan 22	II. Some Motivating Evidence	
5. Tuesday, Jan 27	II. Some Motivating Evidence	HW #1 Due
6. Thursday, Jan 29	III. Limits to Arbitrage	
7. Tuesday, Feb 3	III. Limits to Arbitrage	Quiz #2 Due
8. Thursday, Feb 5	III. Limits to Arbitrage	
9. Tuesday, Feb 10	IV. Investor Behavior	Case Due
10. Thursday, Feb 12	IV. Investor Behavior	
11. Tuesday, Feb 17	IV. Investor Behavior	Quiz #3 Due
12. Thursday, Feb 19	V. Behavioral Corporate Finance	
13. Tuesday, Feb 24	V. Behavioral Corporate Finance	HW #2 Due
14. Thursday, Feb 26	V. Behavioral Corporate Finance	
15. Tuesday, Mar 3	Final Exam	

Reading List

Required readings are marked with a (**) below. For those articles marked (*), I would suggest that you read the abstract and introduction, and at least skim the remainder of the article. When sitting down to read a paper on your own, try to take away the key intuition and results of the paper. Don't dwell on the details unless you have a particular interest in the topic. Please do make a special effort at the required readings, which are less technical, and at least skim the supplemental readings. I will discuss all or almost all of the articles below in class, at least briefly.

Overview Survey Articles

**Thaler, Richard H., 1999, The End of Behavioral Finance, *Perspectives.*

Barberis, Nicholas, 2018, Psychology-Based Models of Asset Prices and Trading Volume, *Handbook of Behavioral Economics.*

Barberis, Nicholas, and Richard Thaler, 2003, A Survey of Behavioral Finance, *Handbook of Economics and Finance.*

*Hirshleifer, David, 2015, Behavioral Finance, *Annual Review of Financial Economics.*

*Ritter, Jay R., 2003, Behavioral Finance, *Pacific-Basin Finance Journal.*

Shiller, Robert J., 2003, From Efficient Markets Theory to Behavioral Finance, *Journal of Economic Perspectives.*

I. Non-Behavioral Finance
Early work found strong empirical support for the efficient markets hypothesis.

*Fama, Eugene, Lawrence Fisher, Michael C. Jensen, and Richard R. Roll, 1969, The Adjustment of Stock Price to New Information, *International Economic Review.*

Fama, Eugene, 1970, Efficient Capital Markets: A Review of Theory and Empirical Work, *Journal of Finance.*

*Fama, Eugene, 1991, Efficient Capital Markets: II, *Journal of Finance.*

II. Some Motivating Evidence: Anomalies
Over the past couple of decades a number of anomalies, or seeming deviations from market efficiency have been identified. These patterns in asset returns are not easy to reconcile with traditional asset-pricing models.

**Lamont, Owen A., and Richard H. Thaler, 2003, Anomalies: The Law of One Price

in Financial Markets, *Journal of Economic Perspectives.*

Bernard, Victor, 1992, Stock Price Reactions to Earnings Announcements. In: Thaler, R. (Ed.), *Advances in Behavioral Finance.*

Cutler, David M., James M. Poterba, and Lawrence H. Summers, 1989, What Moves Stock Prices, *Journal of Portfolio Management.*

De Bondt, Werner F.M., and Richard Thaler, 1985, Does the Stock Market Overreact? *Journal of Finance.*

*Fama, Eugene, and Kenneth R. French, 1992, The Cross-Section of Expected Stock Returns, *Journal of Finance.*

Fama, Eugene, and Kenneth R. French, 1993, Common Risk Factors in the Returns on Stocks and Bonds, *Journal of Financial Economics.*

Hou, Kewei, 2007, Industry Information Diffusion and the Lead-lag Effect in Stock Returns, *Review of Financial Studies.*

Huberman, Gur, and Tomer Regev, 2001, Contagious Speculation and a Cure for Cancer: A Non-Event that Made Stock Prices Soar, *Jounral of Finance.*

*Jegadeesh, Narasimhan, and Sheridan Titman, 1993, Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency, *Journal of Finance.*

Keloharju, Matti, Juhani T. Linnainmaa, and Peter Nyberg, 2016, Return Seasonalities, *Journal of Finance.*

La Porta, Rafael, Josef Lakonishok, Andrei Shleifer, and Robert Vishny, 1997, Good News for Value Stocks: Further Evidence on Market Efficiency, *Journal of Finance.*

Lakonishok, Josef, and Seymour Smidt, 1988, Are Seasonal Anomalies Real? A Ninety-Year Perspective, *Review of Financial Studies.*

*Schwert, G. William, 2003, Anomalies and Market Efficiency, *Handbook of the Economics of Finance.*

Shiller, Robert J., 1981, Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends? *American Economic Review.*

III. Limits to Arbitrage

Traditional finance predicts that when prices deviate from fundamental value, rational traders will quickly arbitrage away this mispricing, restoring prices to their fundamental values. However, recent theory and evidence suggests that there exist impediments limiting the ability of arbitrageurs to restore prices to fundamental value.

Brunnermeier, Markus K., and Stefan Nagel, 2004, Hedge Funds and the Technology Bubble, *Journal of Finance.*

Coval, Joshua, and Erik Stafford, 2007, Asset Fire Sales (and Purchases) in Equity Markets, *Journal of Financial Economics.*

D'Avolio, Gene, 2002, The Market for Borrowing Stock, *Journal of Financial Economics.*

Froot, Kenneth A., and Emile Dabora, 1999, How are Stock Prices Affected by Location of Trade? *Journal of Financial Economics.*

Hwang, Byoung-Hyoun, 2011, Country-Specific Sentiment and Security Prices, *Journal of Financial Economics.*

**Lamont, Owen A., and Richard H. Thaler, 2003, Anomalies: The Law of One Price in Financial Markets, *Journal of Economic Perspectives.*

Lee, Charles M., Andrei Shleifer, and Richard H. Thaler, 1991, Investor Sentiment and the Closed-End Fund Puzzle, *Journal of Finance.*

Shleifer, Andre, and Robert W. Vishny, 1997, The Limits of Arbitrage, *Journal of Finance.*

Wurgler, Jeffrey, and Ekaterina Zhuravskaya, 2002, Does Arbitrage Flatten Demand Curves for Stocks? *Journal of Business.*

IV. Investor Behavior

Behavioral finance argues that prices at times deviate from fundamental value due to the actions of investors who are not fully rational.

**Kahneman, Daniel, and Mark Riepe, 1998, Aspects of Investor Psychology, *Journal of Portfolio Management.*

**Kahneman, Daniel, and Amos Tversky, 1974, Judgment Under Uncertainty, *Science.*

*Baker, Malcolm, and Jeffrey Wurgler, 2006, Investor Sentiment and the Cross-Section of Stock Returns, *Journal of Finance.*

Barber, Brad M., and Terrance Odean, 2000, Trading is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors, *Journal of Finance.*

Barber, Brad M., and Terrance Odean, 2007, All That Glitters: The Effect of Attention and News on the Buying Behavior of Individual and Institutional Investors, *Review of Financial Studies.*

Barber, Brad M., Terrance Odean, and Ning Zhu, 2009, Systematic Noise, *Journal of Financial Markets.*

Barberis, Nicholas, Andrei Shleifer, and Jeffrey Wurgler, 2005, Comovement, *Journal of Financial Economics.*

Cohen, Lauren, and Andrea Frazzini, 2008, Economic Links and Predictable Returns, *Journal of Finance.*

Coval, Joshua D., and Tobias J. Moskowitz, 1999, Home Bias at Home: Local Equity Preference in Domestic Portfolios, *Journal of Finance.*

Daniel, Kent, David Hirshleifer, and Avanidhar Subrahmanyam, 1998, Investor Psychology and Security Market Under- and Overreactions, *Journal of Finance.*

Dellavigna, Stefano, and Joshua M. Pollet, 2009, Investor Inattention and Friday Earnings Announcements, *Journal of Finance.*

Green, T. Clifton, and Byoung-Hyoun Hwang, 2009, Price-Based Return Comovement, *Journal of Financial Economics.*

Grinblatt, Mark, and Bing Han, 2005, Prospect Theory, Mental Accounting, and Momentum, *Journal of Financial Economics.*

Hirshleifer, David, Sonya Seongyeon Lim, and Siew Hong Teoh, 2009, Driven to Distraction: Extraneous Events and Underreaction to Earnings News, *Journal of Finance.*

Malmendier, Ulrike, and Stefan Nagel, 2011, Depression Babies: Do Macroeconomic Experiences Affect Risk Taking? *Quarterly Journal of Economics.*

Odean, Terrance, 1998, Are Investors Reluctant to Realize Their Losses? *Journal of Finance.*

V. Manager and Firm Behavior

The study of behavioral corporate finance takes one of two approaches. The rational managers approach examines how managers optimize corporate actions to take advantage of mispricing. The irrational managers approach examines how biases of managers can lead to actions that are less than optimal for the firm.

**Baker, Malcolm, and Jeffrey Wurgler, 2012, Behavioral Corporate Finance: An Updated Survey, *Handbook of Economics and Finance Volume 2.*

*Baker, Malcolm, and Jeffrey Wurgler, 2000, The Equity Share in New Issues and Aggregate Stock Returns, *Journal of Finance.*

Baker, Malcolm, and Jeffrey Wurgler, 2002, Market Timing and Capital Structure, *Journal of Finance.*

Baker, Malcolm, and Jeffrey Wurgler, 2004, A Catering Theory of Dividends, *Journal of Finance.*

Baker, Malcolm, Robin Greenwood, and Jeffrey Wurgler, 2003, The Maturity of Debt Issues and Predictable Variation in Bond Returns, *Journal of Financial Economics.*

Cooper, Michael J., Orlin Dimitrov, and P. Raghavendra Rau, 2001, A Rose.com by Any Other Name, *Journal of Finance.*

Graham, John R., and Campbell R. Harvey, 2001, The Theory and Practice of Corporate Finance: Evidence from the Field, *Journal of Financial Economics.*

Ikenberry, David, Josef Lakonishok, and Theo Vermaelen, 1995, Market Underreaction to Open Market Share Repurchases, *Journal of Financial Economics.*

Loughran, Timothy, and Jay R. Ritter, 1995, The New Issues Puzzle, *Journal of Finance.*

Malmendier, Ulrike, and Geoffrey Tate, 2008, Who Makes Acquisitions? CEO Overconfidence and the Market's Reaction, *Journal of Financial Economics.*

Ritter, Jay R., 1991, The Long-Run Performance of Initial Public Offerings, *Journal of Finance*

Ritter, Jay R., and Ivo Welch, 2002, A Review of IPO Activity, Pricing, and Allocations, *Journal of Finance*

*Shleifer, Andrei, and Robert Vishny, 2003, Stock Market Driven Acquisitions, *Journal of Financial Economics.*