Bounded Rationality: Theory and Experiments

Expectations, Social Influence and the Economy (ExSIDE) program

University Ca’ Foscari, 9 – 13 October 2017

This course focuses on selected models of bounded rationality of financial markets and their validation in experimental laboratory. We will cover such key concepts of bounded rationality as K-level of thinking theories and reinforcement individual learning theories. Paying special attention to validation of the theories using experimental data, we will review recent experimental work on trading in financial market, expectation formation, and adaptation. In analysing the models and experiments apply some tools of nonlinear dynamics theory will have to be used.

Key topics:
- Bounded rationality, expectations and learning
- K-level of thinking theory
- Economic experiments of financial markets
- Bubbles and crashes in the models and labs
- Heuristic Switching Model, its estimation and validation
- Individual Evolutionary Learning model

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Program (preliminary):


Literature:

Methodology of Experimental Economics


Day 1


Day 2


Day 3


Day 4

Day 5

Other suggested reading:

Day 1:


**Day 2:**


**Day 3:**


**Day 4:**


**Day 5:**