Decision Theory

- Module content

Based on the decision theory under certainty, this module covers normative decision theory under uncertainty in its manifestations of the expected utility theory and the $\mu - \sigma$ theory.

Structure:

Part 1: Decisions under certainty
   a. Fisher mode
   b. Revealed preferences
   c. Preference relations

Part 2: Decisions under uncertainty: Expected Utility Theory
   a. The basic model
   b. Risk preferences
   c. Intensity of risk aversion
   d. Stochastic dominance
   e. Prospect Theory

Part 3: Decisions under uncertainty: $\mu - \sigma$ principle
   a. Introduction
   b. Relation to expected utility theory
   c. Application in Portfolio Theory & Tobin-Separation
   d. Properties

- Competence description

The students acquire knowledge about how to describe appropriate decision situations and how to solve them based on the learned concepts.

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