

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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