

The economics of risk: an introduction

Paris, 20/21/23/24 July 2015
16 contact hours / 2 ECTS credits

Learning Objectives

- Introduce the basic concepts used in economics to characterize attitudes towards risk.
- Show how these concepts can be used to better understand economic decisions.

Course Design

- Formalizations of preferences towards risk.
- The expected utility model.
- Attitudes towards risks: risk aversion, prudence and temperance.
- Measures of risk.
- Implications for decisions: insurance, portfolio composition, precautionary savings and prevention.

Prerequisites

- Basic knowledge of calculus: derivatives of a function and Taylor approximation.
- Statistics: mathematical expectation, variance and covariance.
- Introduction to microeconomics.

Advised Readings

Eeckhoudt, Gollier and Schlesinger "Economic and financial decisions under risk", Princeton University Press, 2005.