EXPERIMENTAL FINANCE 2017

Nice, 14-16 June

Experimental Finance 2017.
Nice. June 14-16

PROGRAM: Talks have been planned according to the recommendations of the referees, the speakers' availability, the speakers' self-selection to a type of sessions (parallel only etc), and, finally, according to topics. We have two keynotes, five plenary sessions, and 12 parallel sessions.

TALKS: The slot for a talk is about 20 minutes, i.e. 15 minutes talk + discussion.

@speakers: Please keep your talk efficient and to the point such that you are able to provide the main message of the paper on time (e.g. do not explain every detail of an SSW experimental design, or tell us that using experiments makes sense for your research (we believe you)). Please put your talk on the presenter notebook before the session starts.

@discussants: As in previous years, we have a discussant for each talk. Each speaker in a session is the discussant of another speaker in the same session (see program). The discussants are assigned so that the first paper is discussed by the last speaker, the second paper by the first speaker, the third paper by the second speaker, etc.

Please get in contact with the speaker (see attached excel file for their e-mail address) and ask her/him to send the paper/slides before the conference. After the talk your job is to start the discussion by providing one or max two comments on the talk (NO SLIDES for the discussant), i.e. you serve as kind of a starter of the discussion with one or two initial comments/questions. There should be room for at least three more minutes of general discussion.

@chairs: As usual the last speaker in a session is the chair.

The keynote talks will be given by:

David Hirshleifer
(University of California, Irvine)

"Do people manage risk, or does risk manage people?"

Thursday, June 15. 9:00 - 10:00

Matthias Sutter
(University of Cologne and University of Innsbruck)

"Social Preferences and Selection into the Financial Industry"

Friday, June 16. 11:40 - 12:40

Tuesday 13th	
19:00	registration and joint summer school + conference reception (at conference venue)

Wednesday 14th		
8:30	registration and coffee	
9:00	Opening	
9:10-10:30	**Plenary (0.1)**	
	On the Informational Efficiency of Chatting. Experimental Asset Markets with Communication Brice Corgnet (Michael)	
	Mental Capabilities, Trading Behavior, and Asset Market Bubbles: Theory and Experiment Steve Heinke (Brice)	
	The Efficient Markets Hypothesis Does Not Hold When Securities Valuation is Computationally Hard Peter Bossaerts (Steve) Market Experience and Market Efficiency - Evidence from Experiments With Financial Professionals Michael Kirchler (Peter)	
10:30	Break	
11:00-12:20	**Field/Professionals (1.1)**	**Experience /Information (1.2)**
	Anchoring and Manipulation in Speculative Markets: A Field Experiment Alasdair Bown (Svetlana)	The Effect of Experiencing a Historical Financial Crash – Empirical Evidence Sandra Andraszewicz (Janna)
	Financial Incentives Beat Social Norms: A Field Experiment on Retirement Information Search Inka Eberhardt (Alasdair)	How Investment Performance Affects the Formation and Use of Beliefs Ferdinand Langnickel (Sandra)
	Rankings and Risk-Taking in the Finance Industry Florian Lindner (Inka)	An experimental study on overweighting of public information Alba Ruiz-Buforn (Ferdinand)
	Expertise and visual information processing in financial decision making Svetlana Ognjanovic (Florian)	Using controlled experiments to inform policy design: the effect of transparent and consistent fees on decision making in foreign exchange transactions Janna Ter Meer (Alba)
12:20	Lunch	
13:30-14:50	**Portfolio (2.1)**	**Incentive (2.2)**
	Individual Choice in Markets Sean Crockett (Michael)	The effect of ethics meetings on risk-taking behaviour: an experiment Caterina Giannetti (Changcheng)
	All That Glitters is Not Gold: Asymmetric Investor Attention in the Stock Market Katrin Gödker (Sean)	Leverage and Bubbles: Experimental Evidence Paul Gortner (Caterina)
	An Experimental Test of Portfolio Choice with Non-tradable Risk Diego Pulido (Katrin)	Incentives, Contract Design and Pension Contribution: Evidence from Sri Lanka Changcheng Song (Paul)
	How to Overcome Correlation Neglect? Michael Ungeheuer (Diego)	
14:50	Break	
15:20-16:40	**Plenary (0.2)**	
	Agency Problem, CEO Incentives and Stock Price Dynamics: An Experimental Asset Market Approach Te Bao (Melanie)	
	When the market cannot do it all! Informational efficiency and information dispersion Mark DeSantis (Te)	
	Learning in Speculative Bubbles: An Experiment Sébastien Pouget (Mark)	
	Financial Contagion in the Laboratory: Does Network Structure Matter? Melanie Parravano (Sébastien)	
16:40	Break	
17:10-18:30	**Market (3.1)**	**Risk and uncertainty (3.2)**
	The effect of cumulative versus random period payments on market prices and traders expectations in a laboratory asset market experiment. Eric Guerci (Tibor)	Insuring risk under contract complexity: An experimental investigation Corina Besliu (Jonas)
	Thou shalt not trade – A study on the emergence of no-trade situations in experimental asset markets Daniel Kleinlercher (Eric)	Do uncertainty traps occur? Jean-Paul Rabanal (Corina)
	Group size and bubbles Owen Powell (Daniel)	Prudence and risk aversion: reconciling contradictory results through an understanding of the determinants of prudence Luc Meunier (Jean-Paul)
	Make/take fees in experimental stock markets Tibor Neugebauer (Owen)	An experimental approach to understand behavior before and after an income shock Jonas Dorlöchter (Luc)
18:30	End	
	Reception	

Thursday 15th		
8:30	coffee	
9:00	**Keynote - David Hirshleifer. Do people manage risk, or does risk manage people?**	
10:30	**Break**	
10:30-11:50	**Bankrun (4.1)**	**Forecasts (4.2)**
	Bank Runs: Disclosure and Economic Linkages Christian König-Kersting Martin)	The role of long-term expectations in the stability of the market price Annarita Colasante (Dávid)
	Are sunspots effective in a big crowd? - Evidence from a large-scale bank run experiment Anita Kopányi-Peuker (Christian)	Short selling and borrowing on market prices and traders' behavior Sébastien Duchêne (Annarita)
	Withdrawal games in the laboratory: the role of financial literacy Vittorio Larocca (Anita)	Managing coordination on bubbles in experimental asset markets with monetary policy Myrna Hennequin (Sébastien)
	Withdrawal behaviour of depositors during economic crisis of a bank: An experimental study Martin Angerer (Vittorio)	Prices vs. Returns in Learning-to-Forecast Experiments Dávid Kopányi (Myrna)
11:50	**Lunch**	
13:00-14:20	**Plenary (0.3)**	
	True Overconfidence, Revealed through Actions: An Experiment Stephen Cheung (Stefan)	
	Outcome Bias in Financial Decision Making Maximilian Germann (Stephen)	
	The Small Price Effect in Trading Prices: an Experimental Study Tristan Roger (Maximilian)	
	Why satisfaction with past returns matters for investment decisions Stefan Zeisberger (Tristan)	
14:20	**Break**	
14:50-16:10	**Market (5.1)**	**Communication (5.2)**
	Market volatility and crashes in experimental financial markets with interactions between human and high-frequency traders Sandrine Jacob Leal (Stefan)	My money, your decisions...Would you care? Tatiana Balmus (Jan)
	Experimental Evidence on What is Risk and how it affects Market Prices Juergen Huber (Sandrine)	Concentration and Unpredictability of Forecasts in Artificial Investment Games Xiu Chen (Tatiana)
	Experiments in High-Frequency Trading Kristian López-Vargas (Juergen)	Communication in Zero-sum Betting: An Empirical Study Jason Sandvik (Xiu)
	Who Inflates the Bubble? Analysts and Traders in Experimental Asset Markets Stefan Palan (Kristian)	The limits of communication - Incomplete Contracting under Uncertainty Jan Schmitz (Jason)
16:10	**Break**	
16:40-18:00	**Plenary (0.4)**	
	Ethnical Discrimination in Europe: Field Evidence from the Finance Industry Matthias Stefan (Christoph)	
	Myopic Loss Aversion Across Time and Space: Evidence from an Experiment with Micro-Entrepreneurs in Ethiopia Sameh Habib (Matthias)	
	Risk attitudes and loss aversion of financial professionals: measurements and determinants Utz Weitzel (Sameh)	
	Inside the "Black Box": How Financial Analysts Process Information about CEO Personality Christoph Merkle (Utz)	
18:00	**General assembly**	
18:30	**End**	
19:30	**Gala Dinner: Hotel Negresco**	

Friday 16th		
8:30	coffee	
9:00-10:00	**Market structure (6.1)**	**Behavior (6.2)**
	Do Markets (institutions) Drive Out Lemmings-or Vice Versa? Andrea Morone (Olga)	Greed: Taking a Deadly Sin to the Lab. Michael Razen (Sara)
	Anonymity and dealer intermediation in a two-tier market structure Paola Paiardini (Andrea)	Happy Savers and Happy Spenders – An experimental study comparing US Americans and Germans Marc-Olivier Rieger (Michael)
	Pecuniary externalities in centralized and decentralized market formats: An experiment Olga Rud (Paola)	Do risk-takers work more? Sara Utmishi (Marc-Olivier)
10:00	**Break**	
10:15-11:35	**Plenary (0.5)**	
	Coordination on bubbles in large-group asset pricing experiments Cars Hommes (Adrian)	
	An Experimental Examination of Interbank Money Markets Douglas Davis (Cars)	
	Discount Window Stigma: An Experimental Investigation Olivier Armantier (Douglas)	
	A Quantitative Easing Experiment Adrian Penalver (Olivier)	
11:40	**Keynote - Matthias Sutter: Social Preferences and Selection into the Financial Industry**	
12:40	**Closing**	
12:50	**Lunch**	

Abstracts

(by name, abstract as provided by the speaker or from the paper)

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Andraszewicz, Sandra

The Effect of Experiencing a Historical Financial Crash – Empirical Evidence

Andraszewicz, Sandra; Kaszás, Daniel; Grosshans, Daniel; Zeisberger, Stefan; Sornette, Didier; Hölscher, Christoph

Research question: Does experiencing a simulated financial crash influence people's trading strategies and are these differences related to individual trait characteristics?

Main result: We show that even in a simple trading task, we observe shift in the riskattitude and decision making after experiencing a financial crash.

Abstract: n.a.

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Angerer, Martin

Withdrawal behaviour of depositors during economic crisis of a bank: An experimental study

Angerer, Martin; Shakina Ekaterina

Research question: Why and how do depositors withdraw money from a bank in times of financial crisis of the bank?

Main result: Highlight findings are that the absence of communication possibilities triggers withdrawal behavior and economically, the closing of the spread between the risk-free interest rate and the deposit rate that drives banks into problems.

Abstract: We use experiments to analyze withdrawal behavior of bank depositors in times of economic crisis. To this end we propose a new experimental model that allows participants to employ a large variety of different strategic options to react within a very realistic bank setting. The model supplements existing theoretical models and examines the influence of demographics, economic variables and the possibility to communicate. Highlight findings are that the absence of communication possibilities triggers withdrawal behavior and economically, the closing of the spread between the risk-free interest rate and the deposit rate that drives banks into problems.

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Armantier, Olivier

Discount Window Stigma: An Experimental Investigation

Olivier Armantier, Charles Holt

Research question: How to alleviate the stigma associated with borrowing from the lender of last resort?

Main result: Conduct an auction or impose regular borrowing from lender of last resort

Abstract: n.a.

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Balmus, Tatiana

My money, your decisions...Would you care?

Balmus,Tatiana; Bazzana, Flavio; Ploner, Matteo

Research question: Does the portfolio composition (suggested by the investor) play a role on manager's behavior in the markets?

Main result: Asset legitimacy affects both investors (who allocate a lower performance fee) and managers (who increase over time the share of risky asset in the portfolio).

Abstract: n.a.

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Bao, Te

Agency Problem, CEO Incentives and Stock Price Dynamics: An Experimental Asset Market Approach

Bao, Te; Halim, Edward; Noussair, Charles; Riyanto, Eko

Research question: How does granting CEOs with stock ownership and the opportunity to trade influence CEOs' effort and market efficiency?

Main result: Compared to cash bonus, stock ownership program does not induce higher effort, plausibly due to the presence of a salience effect or mental accounting. Granting CEOs the opportunities to trade leads to higher effort, but also less stock price stability

Abstract: The optimal design of executive compensation has always been at the center of the research in corporate finance. We investigate experimentally how granting CEOs with stock ownership and the opportunity to trade influence CEOs' effort and market efficiency. We implement a 2x2 experimental design, where the treatments are differentiated based on :(1) whether the CEOs receive 20% of the profit as cash bonus or 20% of the stock shares as endowment, and (2) whether or not the CEOs are prohibited from participating in trading in the open market. The findings suggest that compared to cash bonus, stock ownership program does not induce higher effort, plausibly due to the presence of a salience effect or mental accounting. Granting CEOs the opportunities to trade leads to higher effort, but also less stock price stability. In all markets, the deviation of transaction prices from the underlying fundamental values is very small, which seems to support the market efficiency hypothesis, even in the presence of strategic uncertainty over the effort that governs the movement of the fundamental values.

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Besliu, Corina

Insuring risk under contract complexity: An experimental investigation

Besliu, Corina

Research question: What constitutes complexity in the context of coverage selection and how does it impact the efficiency of consumers' decision making?

Main result: We define five measures of complexity, four of which prove to have statistically significant impact of subjects' ability to choose optimally. Perhaps yet more importantly, we find an overwhelming tendency for individuals to select the insurance plan that offers highest coverage with disregard to any dominance considerations. This shortcut is useful to some extent as it leads to correct choices in rounds with second order stochastic dominance (S.S.D). However, in rounds with first order stochastic dominance (F.S.D.) this heuristic produces severe violations of F.S.D.

Abstract: n.a.

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Bossaerts, Peter

The Efficient Markets Hypothesis Does Not Hold When Securities Valuation is Computationally Hard

Tang, Shireen; Huang; Harvey; Bowman, Elizabeth; Yadav, Nitin; Murawski, Carsten; Bossaerts, Peter

Research question: Does the efficient markets hypothesis obtain when securities valuation depends on the solution of an NP hard problem?

Main result: The hypothesis does not obtain: valuation reflected in prices are worse than those of the average participant; those whether better valuations make more money; participants manage to use prices and volume to improve valuation

Abstract: We study a situation where there is no uncertainty, but where information heterogeneity emerges naturally because valuation of securities is computationally hard. More specifically, security values are given by the solutions of the 0-1 knapsack problem, an NP-hard computational problem. We demonstrate experimentally that the quality of security prices decreased substantially as the computational complexity increased. We also show that participants who were more successful at solving instances of the knapsack problem profited more from trading. Through learning from prices and trades, even the average participant got ahead of the market, submitting knapsacks that were significantly closer to the optimum than those revealed in transaction prices. These results suggest that the Efficient Market Hypothesis does not hold when computational complexity of security valuation is high. They also suggest that, given the high computational complexity of many economic problems, the Efficient Market Hypothesis is only plausible under very specific, and possibly rare, circumstances.

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Brown, Alasdair

Anchoring and Manipulation in Speculative Markets: A Field Experiment

Brown, Alasdair; Yang, Fuyu

Research question: Does the anchoring heuristic affect prices in real markets?

Main result: Yes, and there are spillovers into correlated markets.

Abstract: A common finding in laboratory studies is that subjects anchor on irrelevant initial cues when valuing assets. We run a field experiment to examine whether this heuristic can be exploited to manipulate prices in real markets. We provide early quotes in a series of horse race betting markets, and randomly vary whether these quotes are high or low. We find that subsequent prices are indeed distorted in the direction of our anchor, and that the effect spills over into correlated markets. Furthermore, we show that there are positive returns to some market manipulation strategies predicated on exploiting the anchoring heuristic.

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Chen, Xiu

Concentration and Unpredictability of Forecasts in Artificial Investment Games

Chen, Xiu; Hong, Fuhai; Zhao, Xiaojian

Research question: With in a group, can pre-play communication produce a concentration in individuals’ forecasts on the financial market, and if so, can preplay communication consistently lead to a concentration on the correct forecast across groups?

Main result: Our experimental results suggest strong evidence on both concentration of within-group forecasts and unpredictability of the concentration across groups: compared to baseline groups, subjects in forecast sharing groups tend to concentrate on some fore- casts, but the forecast of SCI that is concentrated on varies significantly across groups.

Abstract: This paper investigates how people’s forecasts about financial market are shaped by the environment, in which people interact before making investment decisions. By recruiting 1385 subjects on WeChat, one of the largest social media, we conduct an online experiment of artificial investment games. Our treatments manipulate whether subjects can observe others’ forecasts and whether subjects engage in public or private investment decisions. We find that subjects’ forecasts significantly

converge when shared, though in different directions across groups. We also observe a strong positive correlation between forecasts and investments, suggesting that an individual's reported forecast is associated with his belief.

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Cheung, Stephen

True Overconfidence, Revealed through Actions: An Experiment

Cheung, Stephen L.; Johnstone, Lachlan

Research question: Does information reduce the degree of overconfidence implied by individuals' actions?

Main result: We find evidence of aggregate overconfidence only in a treatment that receives minimal feedback on performance in a trial task. In treatments that receive more detailed feedback, aggregate overconfidence is not observed although identifiable segments of over- and underconfident individuals persist.

Abstract: We report an experiment that infers true overconfidence in relative ability through actions, as opposed to reported beliefs. Subjects choose how to invest earnings from a skill task when the returns depend solely upon risk, or both risk and relative placement, enabling joint estimation of individual risk preferences and implied subjective beliefs of placing in the top half. We find evidence of aggregate overconfidence only in a treatment that receives minimal feedback on performance in a trial task. In treatments that receive more detailed feedback, aggregate overconfidence is not observed although identifiable segments of over and underconfident individuals persist.

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Colasante, Annarita

The role of long-term expectations in the stability of the market price

Alfarano, Simone; Camacho, Eva; Colasante, Annarita

Research question: Is it important to observe long term expectations?

Main result: It is important to elicit long term expectations in order to understand the mechanism of expectations formation and what kind of varibles influence it.

Abstract: n.a.

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Corgnet, Brice

On the Informational Efficiency of Chatting. Experimental Asset Markets with Communication

Corgnet, Brice; DeSantis, Mark; Porter, David

Research question:

Main result:

Abstract: An essential role of markets is to aggregate information when it is widely dispersed across economic agents (Hayek, 1948). However, this is when information is widely dispersed that market prices are most likely to fail to transmit privately-held information. Given the surge in stock market chat rooms and social media, we propose to assess, using a controlled lab setting, the extent to which communication affects the aggregation of dispersed information. We find that communication allows, otherwise inefficient markets, to effectively convey all available private information. This is the case because most traders truthfully release their information. We find that this truthful revelation hinges upon the prevalence of social motives linked to inequality aversion and reciprocity.

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Crockett, Sean

Individual Choice in Markets

Crockett, Sean; Friedman, Daniel; Oprea, Ryan

Research question: Does knowledge of individual portfolio choices provide accurate predictions of competitive equilibrium?

Main result: The implied excess demand curves obtained from the individual decision-making phase of our experiment were remarkably accurate in predicting the realized competitive equilibrium in the market.

Abstract: We elicited revealed risk preferences from fixed endowments through a series of portfolio choice problems, leveraged these choices in real time to make competitive equilibrium predictions, placed these same subjects in an exchange economy, and investigated to what extent the equilibrium predictions were satisfied. Our predictions were satisfied to a remarkable degree. We also observe strong regularities in individual revealed preferences.

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Davis, Douglas

An Experimental Examination of Interbank Money Markets

Davis, Douglas

Main result: Our markets improve performance substantially over an autarkic 'narrow' banking outcome. Nevertheless, banks generally fail to coordinate on maximum sustainable investment levels, which create excessive price volatilty, inefficiently low investment activity and numerous instances of financial stress. Performance is particularly weak when the banking system is susceptable to a shock that contains an aggregate component. Restrictions on the range of possible prices substantially improves performance.

Abstract: n.a.

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DeSantis, Mark

When the market cannot do it all! Informational efficiency and information dispersion

Corgnet, Brice; DeSantis, Mark; Porter, David

Research question: Do markets disseminate (aggregate) concentrated (dispersed) information?

Main result: Markets achieve informational efficiency when information is concentrated (the market has insiders with complete information) but do not when information is dispersed (traders are partially informed).

Abstract: To shed new light on the informational efficiency debate, we go back to the basics by studying the impact of the distribution of private information on the informational efficiency of markets. Our findings are unequivocal: markets achieve informational efficiency when information is concentrated but do not when it is dispersed. According to our learning model, this is the case because the cognitive challenges faced by traders when inferring others' private information from prices is lessened when information is concentrated compared to when it is dispersed. Our study stresses the crucial role of the distribution (not the amount) of information for markets prices to transmit private information. Our work suggests that the existence of information specialists, by limiting the dispersion of information, may favor informational efficiency. By contrast, the lowering costs of accessing market information as a result of new information technologies may lead to less efficient markets.

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Dorlöchter, Jonas

An Experimental Approach To Understand Behavior Before And After An Income Shock

Amann, Erwin; Dorlöchter, Jonas

Research question: How well explain risk preferences behavior after an incoome shock?

Main result: In contrast to other studies we do not observe clear-cut results of increasing or countercyclical risk aversion in situations like a financial crisis (e. g. Cohn et al., (2015); Cornett et al., (2011); Guiso, (2014); Guiso, (2012)). We conclude that changing behavior of individuals in a financial crisis might be rather than due to the change of subjective expectations.

Abstract: Following the financial crisis, we try to give an answer, whether changing behaviour following a crisis is rather due to changing risk preferences or changing subjective expectations. In order to do so we try to overcome the distinction between normative and descriptive theory. To understand how people behave in risky circumstances, a convergent approach is needed, which interrelates a normative rationale for decision making, specification of goals or aspirations and some conception driven by empirical observations of individual behavior. The goal is to approximate real decisions by expected utility theory in an experimental setting. We demonstrate that the expected utility approach can be successfully applied taking the class of HARA-utility function in order to explain actual patterns of decision making under risk. One of our results is, that it is likely that cautious investment behavior after the financial crisis was rather due to changing subjective expectations than due to increasing risk aversion.

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Duchêne, Sébastien

Short selling and borrowing on market prices and traders' behavior

Duchêne Sébastien; Guerci Eric; Hanaki Nobuyuki, Noussair Charles.

Research question: How does the ability to short sell or to borrow money (margin buying) to trade assets influence market outcomes, traders' price forecasts and strategies?

Main result: Borrowing increases price deviations, overvaluations or price fluctuations but also forecast deviations and forecast overvaluations, while short selling tends to reduce these characteristics. The combination of these two market rules differ according to the observed variables. In somes cases, the two techniques neutralize each other. In other cases, it generates similar characteristics to the borrowing treatment or to the short selling one. Besides, a major result highlighted that the main variability in traders' forecasts come from the subjects and markets' heterogeneities within treatments. Finally, traders' strategies differ according to treatments and cognitive abilities.

Abstract: n.a.

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Eberhardt, Inka

Financial Incentives Beat Social Norms: A Field Experiment on Retirement Information Search

Eberhardt, Inka; Bauer, Rob; Smeets, Paul

Research question: Which manner of communication is most effective in triggering people to search for information on their pension, social norms or financial incentives?

Main result: Participants in the financial incentive treatment login to their personal space on the pension fund's website twice as often as participants in the control and social norm groups.

Abstract: n.a.

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Germann, Maximilian

Outcome Bias in Financial Decision Making

Germann, Maximilian; Weber, Martin

Research question: Do individuals fall prey to the Outcome Bias when incentivized not to do so?

Main result: Individuals make outcome-biased investment choices even when incentivized not to do so. They find it particularly difficult to not associate good outcomes with good decisions, regardless of how easy it is to infer decision quality from outcomes.

Abstract: In an experiment run on Amazon Mechanical Turk, we investigate the Outcome Bias in financial decision making. Unlike in previous studies, decision evaluators in our study bear the consequences of their evaluation. We demonstrate that decision evaluators show clear tendencies towards the Outcome Bias, even when financially incentivized not to do so. Socio-demographic characteristics do not explain this tendency. We further show that the tendency is strongest when information about the quality of the decision is conveyed through moderate outcomes. As expected, it is weakest when the quality of the decision is provided explicitly. These findings are irreconcilable with randomly simulated data.

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Giannetti, Caterina

The effect of ethics meetings on risk-taking behaviour: an experiment

Francesco Feri, Caterina Giannetti, and Pietro Guarnieri

Research question: How can the development of ethical culture in banking be fostered?

Main result: Ethics meetings promote less risky choice for others.

Abstract: n.a.

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Gödker, Katrin

All That Glitters is Not Gold: Asymmetric Investor Attention in the Stock Market

Gödker, Katrin; Lukas, Moritz

Research question: Do attention-grabbing stock characteristics have a causal effect on investors' purchase behavior in a portfolio context?

Main result: First, we find that subjects narrowly focus on stock return information in the period preceding the purchase decision. Second, our results reveal a strong asymmetry in investor attention between positive and negative extreme returns: negative extreme returns in the period preceding the purchase decision increase the purchase volume of a stock whereas positive extreme returns do not have an effect. This asymmetry makes investors who purchase attention-grabbing stocks lose money on average.

Abstract: Previous research highlights the important role of investor attention in the stock market (Barber and Odean; 2008). However, existing studies do not allow for a clear identification of investor attention, its causal effect on investment patterns, and welfare implications. This paper fills these gaps by means of a controlled laboratory experiment in which subjects make stock purchase decisions. First, we find that subjects narrowly focus on stock return information in the period preceding the purchase decision. Second, our results reveal a strong asymmetry in investor attention between positive and negative extreme returns: negative extreme returns in the period preceding the purchase decision increase the purchase volume of a stock while positive extreme returns do not have an effect. This asymmetry makes investors who purchase attention-grabbing stocks lose money on average.

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Gortner, Paul

Leverage and Bubbles: Experimental Evidence

Gortner, Paul ; Massenot, Baptiste

Research question: Do capital requirements in an experimental asset market reduce overpricing?

Main result: Capital requirements do not reduce overpricing.

Abstract: High leverage is often blamed for excessive risk taking and ensuing boom-busts in financial markets. The reason is that policies such as limited liability, bailouts, or deposit insurance limit downside risk, especially so with higher leverage. We investigate this idea in asset market experiments with different levels of leverage. Importantly, we keep aggregate liquidity constant as higher leverage may otherwise increase liquidity and thus asset prices. Contrary to what we expected, higher leverage leads to (insignificantly) smaller bubbles. We discuss two possible explanations. First, the prospect of bankruptcy may appear distant and thus have a limited impact on risk taking. Bankrupt investors indeed pay higher asset prices. Second, the prospect of failing to meet debt repayments may scare investors. A positive framing with equivalent payoffs indeed produces larger bubbles. Overall, higher leverage mechanically makes investors more vulnerable, but it does not seem to spur risk-taking and bubbles.

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Guerci, Eric

The effect of cumulative versus random period payments on market prices and traders expectations in a laboratory asset market experiment.

Duchene, Sébastien; Guerci, Eric; Hanaki, Nobuyuki

Research question: Is there a significant effect in asset market experiments by using either a cumulative or a random period payment on market prices?

Main result: In asset market experiments a different price dynamics is generated under different payment mechanisms, namely cumulative and random period payments

Abstract: n.a.

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Habib, Sameh

Myopic Loss Aversion Across Time and Space: Evidence from an Experiment with Micro-Entrepreneurs in Ethiopia

Giera, Brian; Habib, Sameh; Tekele, Biruk

Research question: Do micro entrepreneurs suffer from loss aversion as documented in Gneezy and Potters (1997)? How does allocation to the risky asset change when the diversified portfolio is framed cross-sectionally v.s. temporally?

Main result: Micro-Entrepreneurs do not suffer from traditional MLA as in Gneezy and Potters. However, they are much more likely to allocate to the risky asset when the diversification option is framed cross-sectionally v.s. temporaly.

Abstract: n.a.

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Heinke, Steve

Mental Capabilities, Trading Behavior, and Asset Market Bubbles: Theory and Experiment

Hefti, Andreas; Heinke, Steve; Schneider, Frédéric

Research question: Can observed heterogeneous trading behavior be linked to differences in analytical (« quantitative ») and mentalizing (« perspective-taking ») skill reasoning?

Main result: We find that observed heterogeneity in asset market trading behavior is the result of two distinct mental capabilities: analytical skill and mentalizing skill.

Abstract: We propose that heterogeneous asset trading behavior is the result of two distinct mental dimensions: analytical ("quantitative") capability and mentalizing ("perspective-taking") capability. We develop a framework of mental capabilities that yields testable predictions about individual trading behavior, revenue distribution and aggregate outcomes. The two-dimensional structure of mental capabilities predicts the existence of four mental types with distinguishable trading patterns and revenues. Individuals will trade most successfully if and only if they have both capabilities. On the other hand, subjects who can mentalize well but have poor analytical capability will suffer the largest losses. As a consequence, being able in just one dimension does not assure trading success. We test these implications in a laboratory environment, where we first independently elicit subjects' capabilities in both dimensions and then conduct a standard asset market experiment. We find that individual trading gains and patterns are consistent with our theoretical predictions. Our results suggest that two mental dimensions are necessary to encompass the complex heterogeneous behaviors in asset markets; a one-dimensional measure of mental capability will lead to biased conclusions. The findings have potential implications for financial institutions, which can use the measures to select successful traders, or for policy-makers, helping them to prevent the formation of asset bubbles. Finally, our conceptual framework and the empirical screening method could be applied to explain heterogeneous behavior in other games.

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Hennequin, Myrna

Managing coordination on bubbles in experimental asset markets with monetary policy

Hennequin, Myrna; Hommes, Cars

Research question: What is the effect of monetary policy on individual expectations and asset price bubbles?

Main result: The experiment will be conducted in spring, so the results are not yet available. We expect that a weak interest rate rule is not enough to stabilize the asset market, but a strong rule is able to manage coordination on trend-following expectations. We also expect to gain insight in the way in which individual expectations respond to interest rate changes.

Abstract: n.a.

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Hommes, Cars

Coordination on bubbles in large-group asset pricing experiments

Bao, Te; Hennequin, Myrna; Hommes, Cars; Massaro, Domenico

Research question: Do asset market bubbles occur in large experimental markets?

Main result: Coordination on bubbles is robust in large groups

Abstract: We present a large-group experiment in which participants predict the price of an asset, whose realization depends on the aggregation of individual forecasts. The markets consist of 21 to 32 participants, a group size larger than in most experiments. Multiple large price bubbles occur in six out of seven markets. The bubbles emerge even faster than in smaller markets. Individual forecast errors do not cancel out at the aggregate level, but participants coordinate on a trend-following prediction strategy that gives rise to large bubbles. The observed price patterns can be captured by a behavioral heuristics switching model with heterogeneous expectations.

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Huber, Jürgen

Experimental Evidence on What is Risk and how it affects Market Prices

Huber, Jürgen; Palan, Stefan; Zeisberger, Stefan

Research question: What do people perceive as 'risk' and how does this affect prices in a market?

Main result: The main driver of risk is 'probability of a loss' and the higher this perceived risk the lower are prices in the market

Abstract: n.a.

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Jacob Leal, Sandrine

Market volatility and crashes in experimental financial markets with interactions between human and high-frequency traders

Jacob Leal, Sandrine; Hanaki, Nobuyuki; Napoletano, Mauro

Research question: How the potential presence of HFT in financial markets may affect the trading behavior of human participants and ultimately market dynamics?

Main result: We expect to identify: i. how the presence of HF traders in the market may change human behavior and impact market volatility and efficiency (via treatment 2 and 3); ii. whether the mere potential presence of either HF market making strategy or spoofing/layering strategy may change human trading behavior and market dynamics (via treatment 4 and 5).

Abstract: n.a.

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Kirchler, Michael

Market Experience and Market Efficiency - Evidence from Experiments With Financial Professionals

Huber, Jürgen; Huber, Christoph; Kirchler, Michael; Lindner, Florian; Rose, Julia; Weitzel, Utz

Research question: What is the impact of market experience (i.e. the exposure of financial professionals to real world markets) on market efficiency in framed field experiments?

Main result: We find strong treatment differences in professionals' and students' behavior.

Abstract: The efficiency of financial markets and their proneness to speculative bubbles are central themes in the academic and the professional debate. Yet, surprisingly, there is no research how the main protagonists, financial professionals, behave and contribute to market efficiency and asset bubbles. We run 38 lab-in-the-field experimental markets with 294 professionals and 48 lab markets with 384 students to investigate the impact of professional market experience on market efficiency in the presence of commonly established bubble drivers and bubble moderators.
We show that across subject pools markets populated by professionals are significantly more efficient and less prone to bubbles compared to student markets.

Moreover, we find qualitatively similar patterns within each subject pool, showing that bubble drivers like capital inflows or a high initial monetary supply drive market inefficiencies. We also observe similar qualitative patterns within subject pools for bubble moderators, indicating that short selling and a low and constant monetary base increase market efficiency. We conclude that real-world market experience is conducive to the efficiency of financial markets.

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Kleinlercher, Daniel

Thou shalt not trade – A study on the emergence of no-trade situations in experimental asset markets.

Kleinlercher, Daniel; Stoeckl, Thomas

Research question: What conditions have to be met to provoke no-trade-situations in laboratory asset markets?

Main result: We hypothesize that by eliminating factors like confusion, riskpreferences, boredom, and lack of experiences we can provoke a no-trade-situation.

Abstract: Laboratory asset markets are characterized by a "natural" tendency toward trade. This tendency, however, is not supported by theoretical predictions summarized in the No-Trade-Theorem. This non-compliance with theoretical predictions is a source of frequent criticism of experimental finance research. So far, no experimental design exists that circumvents the No-Trade-Theorem. In this project, we test various conditions in an attempt to provoke no-tradesituation in laboratory (asset) markets and to learn more about the dubious "natural" tendency toward trade. In detail, we try to eliminate the following four factors to provoke no-trade: Confusion, risk-preferences, boredom, and lack of experience.

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König-Kersting, Christian

Bank Runs: Disclosure and Economic Linkages

König-Kersting, Christian; Trautmann, Stefan T.; Vlahu, Razvan

Research question: How do different levels of information disclosure about a bank's fundamentals and its economic linkages to other banks affect depositors' decisions to withdraw their money or keep it with the bank?

Main result: Preliminary: Partial information disclosure leads to higher withdrawal rates than non- and full-disclosure. In the absence of economic linkages, we observe financial contagion resulting from an inadequate transfer of information disclosed about one bank to another one, for which no information has been provided.

Abstract: n.a.

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Kopányi, Dávid

Prices vs. Returns in Learning-to-Forecast Experiments

Hanaki, Nobuyuki; Hommes, Cars; Kopányi, Dávid; Tuinstra, Jan

Research question: How does market stability depend on whether subjects observe prices or returns and on whether they need to forecast prices or returns?

Main result: The experiment will be run between 27 Feb. and 3 March. We expect more instability when subjects need to forecast returns and when they observe prices.

Abstract: n.a.

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Kopányi-Peuker, Anita

Are sunspots effective in a big crowd? - Evidence from a large-scale bank run experiment

Arifovic, Jasmina; Hommes, Cars; Kopányi-Peuker, Anita; Salle, Isabelle

Research question: Are sunspots effective in a large crowd?

Main result: We expect coordination being more difficult on the sunspot equilibrium in a large group.

Abstract: n.a.

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Langnickel, Ferdinand

How Investment Performance Affects the Formation and Use of Beliefs

Grosshans, Daniel; Langnickel, Ferdinand; Zeisberger, Stefan

Research question: How does the current gain or loss of an investment affect the way investors form beliefs and incorporate these beliefs into their trading decisions?

Main result: We find that investors are more optimistic and their selling decisions are less sensitive to beliefs when they face paper losses compared to paper gains.

Abstract: This study provides new insights on how investors form beliefs about future asset prices and how they use these beliefs for their trading decisions. We show that investors who face a paper loss are more optimistic than when they face a paper gain, controlling for the objective Bayesian belief. In addition, selling decisions are less sensitive to beliefs than purchase decisions. This difference is driven by selling behavior in the presence of paper losses. Our insights stem from a laboratory experiment in which participants are price-takers and trade a stock governed by a persistent two-state Markov chain. At each point in time, we elicit incentivized beliefs about the probability that the stock price will increase in the next period.

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Larocca, Vittorio

Withdrawal games in the laboratory: the role of financial literacy

Campioni, Eloisa; Larocca, Vittorio; Panaccione, Luca

Research question: What is the role of financial literacy in experimental withdrawal games?

Main result: n.a.

Abstract: n.a.

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Lindner, Florian

Rankings and Risk-Taking in the Finance Industry

Kirchler, Michael; Lindner, Florian; Weitzel, Utz

Research question: What is the impact of rankings on professionals’ risk-taking in investment decisions?

Main result: We find that both rankings and tournament incentives increase risktaking among underperforming professionals, but not among students.

Abstract: Rankings are pervasive in the finance industry, yet there is no research how they impact financial professionals' behavior. We run lab-in-the-field experiments with 657 professionals, lab experiments with 432 students and collect survey evidence from 1,349 respondents to investigate how rank incentives affect investment decisions. We find that both rankings and tournament incentives increase risk-taking among underperforming professionals, but not among students. Rank-driven risk-taking is robust to various experimental settings, including private identity priming and framing, and related to preferences for relative performance, which we find to be stronger for professionals than for the general population and other competitive professions.

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López-Vargas, Kristian

Experiments in High-Frequency Trading

Eric M. Aldrich, Daniel Friedman, Kristian López-Vargas

Research question: What is the performance of alternative market formats (e.g. frequent batch auction), relative to the continuous double auction, in the presence of high-frequency trading?

Main result: [Pilot Results] The frequent batch auction (FBA) outperforms the continuous double auction (CDA) in terms of trading costs and informational efficiency. Speed subscriptions are much less common under FBA compared to CDA.

Abstract: Using laboratory experiments, we study the performance of existing and alternative market formats in the presence high-frequency trading (or HFT). The baseline market format is the Continuous Double Auction, which organizes trade in most modern exchanges around the world. We study the IEX format, which is intended to reduce the incentives for HFTdelaying all incoming and outgoing messages and allowing hidden, "pegged" orders that move with the National Best Bid and Offer (NBBO) prices. Third we study a format used by Electronic Broking Services (EBS), which randomizes the sequence in which orders are processed. Finally, we study the frequent batch auction (FBA) which gives equal priority to all orders received within a batching period that lasts a fraction of a second. Preliminary, laboratory results indicate that the FBA does reduce incentive for investment on speed technology and shifts incentives towards competition 'a-la Bertrand.

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Merkle, Christoph

Inside the "Black Box": How Financial Analysts Process Information about CEO Personality

Becker, Jochen; Medjedovic, Josip; Merkle, Christoph

Research question: How do financial analysts process information about CEO personality?

Main result: Analysts submit more positive forecasts for companies led by extraverted CEOs and CEOs, who are more similar to themselves.

Abstract: Financial analysts supplement their analysis with non-financial information about CEO personality. How this information is processed, however, remains a "black box". Drawing on social cognition research we suggest that analysts rely on a stereotyping heuristic about CEO personality, which will be reflected in their forecasts. We conduct an experiment with 191 professional analysts to investigate analysts' reliance on stereotyping in their information processing, taking into account forecast time horizon and effects of personality similarity between analyst and CEO. The results of a between-subjects experiment with CEO personality (high vs. low extraversion) as treatment variable indicates that analysts issue more favorable forecasts (annual earnings per share, long-term earnings per share growth, and target price) for firms led by extraverted CEOs. Increased forecast uncertainty leads to stronger reliance on stereotyping. Additionally, personality similarity induces analysts to issue more favorable forecasts.

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Meunier, Luc

Prudence and risk aversion: reconciling contradictory results through an understanding of the determinants of prudence

Gassmann, Xavier; Meunier, Luc; Schleich, Joachim; Faure, Corinne; Meissner, Thomas

Research question: What are the determinants of prudence and mixed risk loving?

Main result: In our representative sample of 8 European countries, we found that respondents who are more risk averse, younger and who have a higher cognitive ability are more likely to be prudent. In addition, younger respondents are more prone to mixed risk loving.

Abstract: n.a.

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Morone, Andrea

Do Markets (institutions) Drive Out Lemmings-or Vice Versa?

Morone, Andrea; Nuzzo, Simone

Research question: Do Markets (institutions) Drive Out Lemmings-or Vice Versa?

Main result: This paper shows that double auction markets are, in several instances, superior to clearing house markets in terms of informational efficiency.

Abstract: We investigate, by mean of a lab experiment, a market inspired by two strands of literature on one hand we have herd behaviour in non-market situations, and on the other hand aggregation of private information in markets. The former suggests that socially undesirable herd behaviour may result when information is private; the latter suggests that socially undesirable behaviour may be eliminated through the market. As the trading mechanism might be a compounding factor, we investigate two kinds of market mechanism: the double auction, where bids, asks and trades take place in continuous time throughout a trading period; and the clearing house, where bids and asks are placed once in a trading period, and which are then cleared by an aggregating device. As a main result, this paper shows that double auction markets are, in several instances, superior to clearing house markets in terms of informational efficiency. Moreover, the employed trading institutions do not exhibit significant differences in both market volume and price volatility.

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Neugebauer, Tibor

Make/take fees in experimental stock markets

Selten, Reinhard; Neugebauer, Tibor

Research question: How do make/take fees affect liquidity in experimental security markets?

Main result: Make/take fees impact liquidity and transaction volume in the continuous double auction the more the fee is levied on the liquidity provider.

Abstract: In an experimental market where subjects trade multiple multi-period lived assets in a continuous double auction, we investigate the impact on liquidity and transaction volume of a transaction fee in the security market. In one market the fee is levied on the liquidity suppliers (makers), in another market the liquidity demanders (takers) pay the fee, and in a third market the fee is shared equally by the two. The control treatment (no-fee treatment) involves no fees at all. We compare the bid-ask spreads and transaction volumes in these three markets to the no-fee treatment. Our main result is that liquidity is hardly impacted if the taker has to pay the fine, but is significantly impacted if the maker has to pay the fine. The results suggest that the design of transaction taxes and fees can have a significant impact on market behavior.

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Ognjanovic, Svetlana

Expertise and visual information processing in financial decision making

Ognjanovic, Svetlana; Hölscher Christoph; Thüring Manfred

Research question: How does the level of expertise influence the visual information processing and the judgmental consistency of financial decision makers?

Main result: Trading expertise had an influence on visual information processing. The average fixation duration differed significantly between the groups “novices” (economics students) and “intermediates” (students with financial trading experience), but not for experts (professional traders). The consistency of risk judgments did not differ between the expertise levels. Professional traders, however, were significantly more confident about their judgments than the students.

Abstract: n.a.

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Paiardini, Paola

Anonymity and dealer intermediation in a two-tier market structure

Daniela Di Cagno, Paola Paiardini, Emanuela Sciubba

Research question: Is the current organisation of the European sovereign bond market the most efficient one?

Main result: Under certain conditions the current organisation is not the most efficient one, this has important implication from a policy point of view.

Abstract: n.a.

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Palan, Stefan

To claim or not to claim: Anonymity, reciprocal externalities and honesty

Marcus Giamattei, Jürgen Huber, Johann Lambsdorff, Andreas Nicklisch, Stefan Palan

Research question: n.a.

Main result: n.a.

Abstract: n.a..

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Parravano, Melanie

Financial Contagion in the Laboratory: Does Network Structure Matter?

Duffy, John; Karadimitropoulou, Aikaterini; Parravano, Melanie

Research question : What is the role of network structures for behavioural financial contagion ?

Main result: Financial contagions are possible under both complete and incomplete network structures. While such contagions always occur under an incomplete interbank network structure, they are significantly less likely to occur under a complete interbank network structure where interbank linkages can effectively provide insurance against shocks to the system, and localize damage from the financial shock.

Abstract: We design and report on laboratory experiments exploring the role of interbank network structure for the likelihood of a financial contagion. The laboratory provides us with the control necessary to precisely explore the role of different network configurations for the fragility of the financial system.

Specifically, we study the likelihood of financial contagion in complete and incomplete networks of banks who are linked in terms of interbank deposits as in the model of Allen and Gale (2000). Subjects play the role of depositors who must decide whether or not to withdraw their funds from their bank. We find that financial contagions are possible under both network structures. While such contagions always occur under an incomplete interbank network structure, they are significantly less likely to occur under a complete interbank network structure where interbank linkages can effectively provide insurance against shocks to the system, and localize damage from the financial shock.

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Penalver, Adrian

A Quantitative Easing Experiment

Penalver, Adrian; Hanaki, Nobuyuki;Akiyama, Eizo; Funaki, Yukihiko; Ishikawa, Ryuichiro

Research question: Why does quantitative easing raise asset prices?

Main result: In an experimental asset market with quantitative easing, bond prices are higher than their fundamental value whereas in a benchmark case with no intervention, they are not.

Abstract: This paper presents experimental evidence that quantitative easing can be effective even if bonds and cash are perfect substitutes and the path of interest rates is fixed. Despite knowing the fundamental value of bonds, participants in the experiment clearly believed that bond prices would trade above this value when they knew that a central bank would buy a large fraction of the outstanding market in a quantitative easing operation. By contrast, there was no average deviation of prices from fundamentals when it was known that trading only occurred between players. Prices rose and then fell if the central bank bought and then sold but stayed high if the central bank held the bonds to maturity.

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Pouget, Sébastien

Learning in Speculative Bubbles: An Experiment

Hong, Jieying; Moinas, Sophie; Pouget, Sébastien

Research question: How do people learn in speculative bubbles?

Main result: We show that, in the short and intermediate term, learning increases the propensity to speculate and the emergence of speculative bubbles. This result is obtained in an experimental market and is analyzed thanks to a theoretical model based on adaptive learning.

Abstract: Does traders' experience reduce their propensity to participate in speculate bubbles? This paper studies this issue from a theoretical and an experimental viewpoint. Following Camerer and Ho (1999)'s Experience-Weighted Attraction learning model, adaptive traders are assumed to adjust their behavior according to actions' past performance. We focus on a setting designed by Moinas and Pouget (2013) in which bubbles, if they arise, are irrational, as in the Smith et al. (1988)' set up. Our theoretical results show that, in the long run, learning induces the market to converge to the unique no bubble equilibrium. However we show that learning initially increases traders' propensity to speculate. In the short run, more experienced traders thus create more bubbles. An experiment shows that bubbles can be still very pervasive despite the fact that subjects have become experienced and that estimating the EWA model suggests that learning is at work.

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Powell, Owen

Group size and bubbles

Powell, Owen; Shestakova, Natalia

Research question: How do asset market outcomes produced by a large sample of small markets and and a small sample of large markets compare to each other?

Main result: Even though a large sample of small markets produce noisier measures of market efficiency, they neither stochastically dominate the measures produced by a small sample of large markets, nor are they dominated by the latter.

Abstract: In this study we compare asset market outcomes produced by a small sample of large markets and a large sample of small markets, where market size is determined by the number of traders. The market outcomes that we consider include overpricing and absolute mispricing in markets with inexperienced and experienced traders, as well as the effect of experience on these measures of market efficiency. We find that even though a large sample of small markets produce noisier measures, they neither stochastically dominate the measures produced by a small sample of large markets, nor are they dominated by the latter.

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Pulido, Diego

An Experimental Test of Portfolio Choice with Non-tradable Risk

Pulido, Diego; Engle-Warnick, Jim;, de Montaignac, Marine

Research question: What is the effect of human capital on investment choices over the life cycle?

Main result: Consistent with the theoretical predictions, we find that the size of human capital is positively correlated with the preferred level of portfolio risk. Likewise, we find that portfolio risk is negatively associated with both human capital's riskiness, and with its correlation with financial assets returns. Finally, as in previous studies, we find that investment choices are driven by the disposition effect.

Abstract: This paper reports the results of a lab experiment that studies the incidence of human capital on investment choices. The experiment tests the effect of the size and risk characteristics of human capital on portfolio risk choices. Our experimental design allows us to overcome the identification problems that come across using alternative empirical approaches. Consistent with the theoretical predictions, we find that the size of human capital is positively correlated with the preferred level of portfolio risk. Likewise, we find that portfolio risk is negatively associated with both human capital’s riskiness, and with its correlation with financial assets returns. Finally, as in previous studies, we find that investment choices are driven by the disposition effect.

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Rabanal, Jean-Paul

Does uncertainty traps occur?

Rabanal, Jean Paul; Rud, Olga; Horowitz, John

Research question: Does uncertainty traps occur?

Main result: Sessions are in progress

Abstract: In an environment in which players receive a noisy signal about the uncertain fundamental, they make a decision to stay in or out of the market. The fundamental follows (D) an autoregressive process AR(1), and the payoff for staying in the market depends on the signal (D+noise), while the payoff for being out is a constant value (C). The group size in our experiment is either one or four. If all players leave the market, then no signals are generated and players might lose profitable opportunities. Depending on parameter values, the periods in which players are out of the market could be long and are described as ``uncertainty traps," see Fajgelbaum et al. (forthcoming, QJE). In this experiment, we study the persistence of these uncertainty traps, and the forecasting made by our participants.

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Razen, Michael

Greed: Taking a Deadly Sin to the Lab.

Razen, Michael; Stefan, Matthias

Research question: Can greed be rendered observable in the laboratory?

Main result: Greedy behavior is indeed observable under laboratory conditions and it becomes significantly more frequent when feelings of entitlement are involved.

Abstract: The term greed has become very popular in the public debate. It is regularly argued, for instance, that greed is one of the deep rooted reasonsfor the financial crisis, numerous incidents of fraud and growing inequalities in wealth. Despite its prominent role in the current debates, however, empirical research on greed is rather sparse. We argue that the major impediment for empirical studies is the difficulty to distinguish greed from selfishness. To overcome this methodological problem, we propose a modified version of the classic dictator game which allows us to unambiguously distinguish greed from other forms of self-centered behavior in an experimental environment. Building on the notion of greed as a selfish and excessive desire for more than is needed, we introduce an artificial point of material satiation. We find that greed is indeed observable under laboratory conditions and that it is even one of the predominant behavioral motives. We also find that feelings of entitlement significantly increase the frequency of greedy behavior. Further, our results indicate that feelings of social obligation have no impact on the proportion of greedy behavior, but result in fair split being the predominant choice.

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Rieger, Marc-Olivier

Happy Savers and Happy Spenders – An experimental study comparing US Americans and Germans

Ashtiani, Amin Z.; Dudek, Thomas; Rieger, Marc Oliver

Research question: How does saving and spending affect happiness and how is this different between the USA and Germany?

Main result: In general, people who behave according to their self-image (saving vs. spending) are happier. Germans tend to save more for precautionary motives, Americans more due to social comparison.

Abstract: In this study, we test how saving and spending affects happiness and how this effect is influenced by psychological and cultural factors. To this aim we conduct a computerized experiment on saving and spending decisions in two countries (USA and Germany) and simultaneously, we measure the need for saving and spending with a self-classification scale. Our main findigs are that people who act according to their own self-image are happier: people who have a high need for saving and save more, as well as people who have a high need for spending and spend more, tend to be happier. We also find interesting results regarding the motivation to save: while Germans tend to save mostly for precautionary motives, Americans are much more affected by “social comparison”: in an experimental treatment where high score lists of the subjects with the largest savings were displayed, Americans’ happiness and saving behavior was significantly more affected than that of Germans.

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Roger, Tristan

The Small Price Effect in Trading Prices: an Experimental Study

Wael Bousselmi; Patrick Roger; Tristan Roger; Marc Willinger

Research question: Do individuals process small price stocks on a linear scale and large price stocks on a logarithmic scale?

Main result: Although the dynamics of the fundamental value of an asset are the same, subjects are more optimistic when they trade small price assets compared to large price assets.

Abstract: Studies in neuropsychology show that the human brain processes small numbers and large numbers differently. Small numbers are processed on a linear scale, while large numbers are processed on a logarithmic scale. Recent papers in finance and accounting also indicate that market participants exhibit a bias in their perception of the future return distribution of small and large price stocks. In this paper , we report the results of an experiment in which we test for the existence of a small price effect. Our experiment consists in 8 sessions of two sequential experimental markets where the cash-flows and endowments are 12 times higher in one market compared to the other. We find that optimism, measured as the relative difference between transaction prices and fundamental values, is significantly greater in small price markets. This result is obtained both within and across subjects. Our experimental results indicate that price level influences the way people perceive relative price variations (i.e., returns), a result at odds with standard finance theory but consistent with: 1) a number of empirical observations on financial markets; and, 2) the use of different mental scales for small and large prices.

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Rud, Olga

Pecuniary externalities in centralized and decentralized market formats: An experiment

Rud, Olga; Rabanal, Jean Paul; Sharifova, Manizha

Research question: Does decentralized markets mitigate pecuniary externalities?

Main result: Work in progress. We are running session end of February and March

Abstract: We test in a controlled laboratory environment whether traders in a decentralized market are able to better internalize the impact of their actions on market prices than in a centralized market. In the model, traders choose a production level, constrained by the production possibilities frontier. Subsequently, each trader receives a random shock that makes only one type of good production profitable. In this environment, pecuniary externalities arise because traders value the scarce good more than is socially optimal and thus do not internalize their impact of their production choices on prices. Pecuniary externalities are common in macro-financial models that explain the over-use of borrowing (e.g. Lorezoni, 2008, Review of Economic Studies), or investment cycles (e.g. He and Kondor, 2016, Econometrica).

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Ruiz-Buforn, Alba

An experimental study on overweighting of public information

Ruiz-Buforn, Alba; Alfarano, Simone; Camacho-Cuena, Eva

Research question: Is more information always benecial for decision makers?

Main result: Public information becomes a focal point when it is realised to the market and sharply distorts price efficiency when it points to the wrong state of the world.

Abstract: n.a.

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Sandvik, Jason

Communication in Zero-sum Betting: An Empirical Study

Madarasz, Kristof; Sandvik, Jason

Research question: How does variation in communication allowance between participants affect the decisions they make in a zero-sum game?

Main result: We have only conducted pilot trials of the experiment at this point in time.

Abstract: In our design we study strategic behavior in a zero-sum betting game. The game will be played in three different treatments that vary voluntary and involuntary communication. Three computer-based versions of the game will be implemented through novel oTree platforms. One version will maintain strict anonymity between participants and will prohibit any correspondence. The second version will permit participants to send each other costless, unverifiable messages (i.e., cheap talk). The third version of the game will be played face-to-face and will not impose any restrictions on the communication between participants. This will allow us to separately test the existence of and belief in a 'poker face.' Heterogeneity in betting behavior across the three versions of the game will identify the extent to which participants attempt to bluff and fall for bluffs. This variation will also allow us to understand whether non-bluffers are more or less susceptible than serial-bluffers to fall for the bluffs of their opponents, and it will help us link our findings to existing behavioral models. Finally, heterogeneity in participant performance will identify the extent to which proficient bluffing can give participants an advantage in a game that should, according to neoclassical theory, be equivalent to a coin-toss.

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Schmitz, Jan

The limits of communication - Incomplete Contracting under Uncertainty

Brown, Martin; Schmitz, Jan; Zehnder, Christian

Research question: Does communication increase market efficiency in deterministic and stochastic environments?

Main result: Communication increases market efficiency under certainty but not when the economic environment is uncertain/volatile.

Abstract: Recent findings in behavioral economics document that communication improves efficiency when strategic interaction is plagued by contractual incompleteness. However, little is known about the effect of communication when there is also uncertainty in the economic environment. We investigate the effect of communication under economic uncertainty by studying a stochastic trust game framed in a credit context. In this game the investment income of borrowers (second-mover) and thus their ability to repay the lenders (first-mover) is random. We implement a treatment in which the borrower can send text messages to the lender and compare it to a treatment without communication. We benchmark our findings against the effect of communication in a similar trust game with deterministic borrower investment income. In the deterministic setting we find that communication has a significant positive effect on credit volumes and repayment rates, thus increasing the average payoffs for both lenders and borrowers. By contrast, in the stochastic trust game communication does not improve repayment rates or payoffs. When the borrowers income and ability to repay is stochastic, they are more likely to renege on promises to repay than when their income is deterministic.

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Song, Changcheng

Incentives, Contract Design and Pension Contribution: Evidence from Sri Lanka

Song, Changcheng

Research question: What incentives and contract designs generate higher participation and savings in the micro pension?

Main result: a free installment for the first month contribution and 100% matching for the first month contribution both increase the participation and contributions. The free installment for the first month contribution has a larger effect than an equivalent 100% matching for the first month contribution.

Moreover, we find that higher degree of commitment (higher withdraw punishment) reduce participation, but might increase monthly contribution and commitment account contribution percentage.

Abstract : n.a..

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Stefan, Matthias

Ethnical Discrimination in Europe: Field Evidence from the Finance Industry

Stefan, Matthias; Holzmeister, Felix; Müllauer, Alexander; Kirchler, Michael

Research question: Can we observe ethnical discrimination in the finance industry?

Main result: We find pronounced discrimination in terms of a substantially lower response rate to e-mail inquiries with Arabic sounding names compared to domestic sounding names.

Abstract: The integration of ethnical minorities has been one of the hotly debated issues in politics in the last two years. One factor that can hinder successful integration is the persistent discrimination of ethnical minorities. This is particularly relevant in the finance sector, where unequal access to investment and financing opportunities can cause social and economic exclusion as well as disparities due to inferior economic prospects. We provide the first cross-country study investigating ethnical discrimination, in both the loan as well as the investment sector, in a controlled field experiment with 1,218 banks in seven European countries. In particular, we contacted banks via e-mail with domestic sounding and Arabic sounding names as senders, asking for contact details due to either investment or loan interests. We find pronounced discrimination in terms of a substantially lower response rate to e-mails with Arabic sounding names compared to domestic sounding names, even when controlling for high socioeconomic status of the sender. Remarkably, this effect is of similar magnitude for loan- and for investment-related requests.

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Ter Meer, Janna

Using controlled experiments to inform policy design: the effect of transparent and consistent fees on decision making in foreign exchange transactions

Ter Meer, Janna; Dietsch, Marius

Research question: What fee structure disclosure is most helpful to consumers in improving their decisions in foreign exchange transactions?

Main result: Presenting fees in £ terms increases the proportion of participants choosing a better deal. Total fee information is also helpful, but appears to only have added benefit for individuals without previous forex experience. Consistent reporting of fees across suppliers is key in driving home the benefits of increased disclosure.

Abstract: n.a..

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Ungeheuer, Michael

How to Overcome Correlation Neglect?

Laudenbach, Christine; Ungeheuer, Michael; Weber, Martin

Research question: How can we display information on asset returns, so that investors adequately incorporate correlation into their investment decisions?

Main result: If we let investors experience returns through sampling (experience sampling) instead of directly showing them probabilities of return states (description), then correlation neglect disappears, i.e. investors diversify more when correlation decreases.

Abstract: By sampling. In a laboratory experiment, we vary the way correlation information is presented in an investment task. When we use a description treatment, where participants directly get probabilities for all possible outcomes of a joint return distribution, we can confirm the common finding that investors neglect correlation: participants do not diversify more when correlation decreases. However, when we let participants sample asset returns from the same joint return distribution, their understanding of correlations becomes more accurate and they diversify more when correlation decreases. This finding is robust to sampling numerical returns or graphical bar chart returns. It is not driven by the time spent looking at the return information. Hence, sampling helps overcome correlation neglect.

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Utmishi, Sara

Do risk-takers work more?

Prof. Dr. Reiner Braun, Sara Utmishi, Oliver Bauer

Research question: Do risk-takers work more?

Main result: We find that subjects, who take higher risks, also work significantly more.

Abstract: n.a..

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Weitzel, Utz

Risk attitudes and loss aversion of financial professionals: measurements and determinants

Michael Kirchler, Florian Lindner, Utz Weitzel

Research question: What are the risk and loss attitudes of financial professionals and how do they differ from other groups?

Main result: Financial professionals differ in both risk and loss tolerance from the general population and many other groups (e.g. students, but also academics).

Abstract: n.a.

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Zeisberger, Stefan

Why satisfaction with past returns matters for investment decisions

Christine Laudenbach, Matthias Rumpf, Martin Weber, Stefan Zeisberger

Research question: Do investors anticipate how satisfied they are with their realized returns and does this influence their investment decisions?

Main result: We document an important projection bias for losses, investors anticipate losses to hurt more emotionally that they actually do, and this explains part of their investment behavior.

Abstract: n.a.

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@everybody: Please have your badge accessible at any time for security reasons.

How to Come?

- **<u>From Nice Railway station SNCF "Gare Thiers" to the conference place</u>**
    - **<u>By Tram</u>**

Take the line 1 (the only line for the moment!) at Thiers tram station (100 meters from Nice-ville railways station at left when leaving the station), direction Pont Michel / Pasteur, and stop at Saint Jean d’Angely Université (tickets 1,5€ bought at Thiers tram station).

The journey to Saint Jean d’Angely campus takes 25/30 minutes including frictions at the railways station.

The direction of ISEM building (Conference premises) will be indicated at Saint Jean d’Angely tram station.

-
    - **<u>By Taxi</u>**

You will find the taxi station on the front of the railway station. It costs approximatively 20€ and takes 20mn.

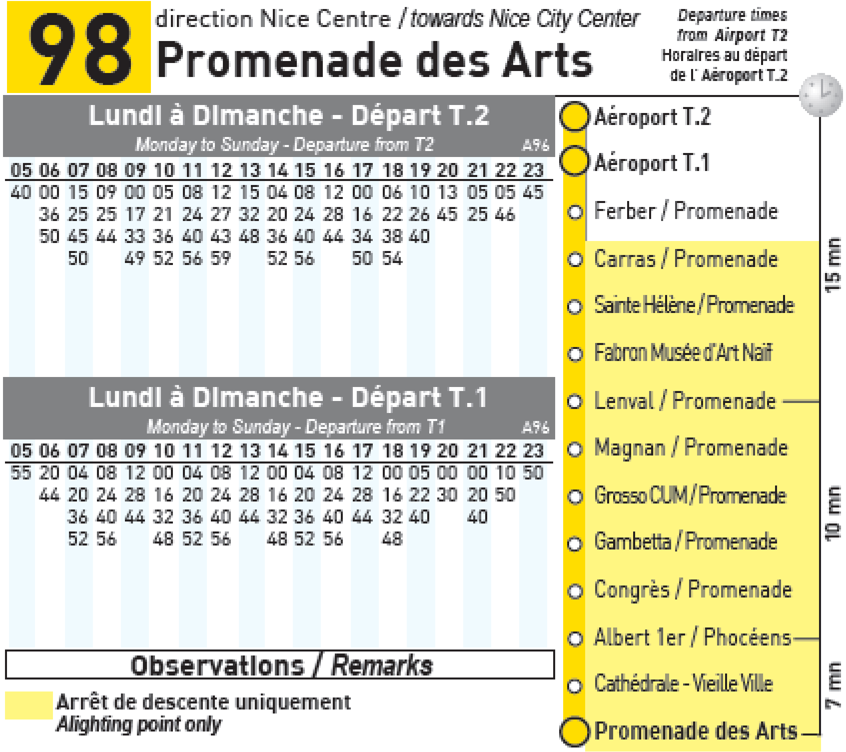
Call a taxi: CENTRAL TAXI RIVIERA : +33(0)4 93 13 78 78

- **<u>From Nice-Côte d’Azur airport to the conference place</u>**
    - **<u>By Bus and Tram</u>**

Take the shuttle, bus 98 to the "Cathédrale - Vieille Ville" station, then the tram here over. The journey takes 55/60 minutes including frictions at the airport and the station.

Airport to Railway station: bus line 98

Departures from each terminal, every 15/20 minutes, from 5:40am to 11:50pm.



98 direction Nice Centre / *towards Nice City Center*

Promenade des Arts

Departure times from Airport T2
Horaires au départ de l' Aéroport T.2

Lundi à Dimanche - Départ T.2
Monday to Sunday - Departure from T2 A96

05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23
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	36	25	25	17	21	24	27	32	20	24	28	16	22	26	45	25	46	
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		50		49	52	56	59		52	56		50	54					

Lundi à Dimanche - Départ T.1
Monday to Sunday - Departure from T1 A96

05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23
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		52	56		48	52	56		48	52	56		48					

Observations / *Remarks*

Arrêt de descente uniquement
Alighting point only

LIGNE EXPRESS A TARIFICATION SPECIALE : 6,00 €
EXPRESS LINE - SPECIAL FARE: € 6,00

Railway station to the AFSE meeting: tram line 1

Take the line 1 of the Tram and stop at Saint Jean d'Angely Université. You can use the same ticket but you have to validate it in the grey and yellow machines when you get on board.

- **By Taxi**

Terminal 1: Door A1
Terminal 2: Door A3

It costs approximatively 30€ and takes 25/30mn.

Call a taxi: CENTRAL TAXI RIVIERA : +33(0)4 93 13 78 78

- **From A8 Highway by car**

If you arrive from Marseille/Aix-en-Provence/Cannes:

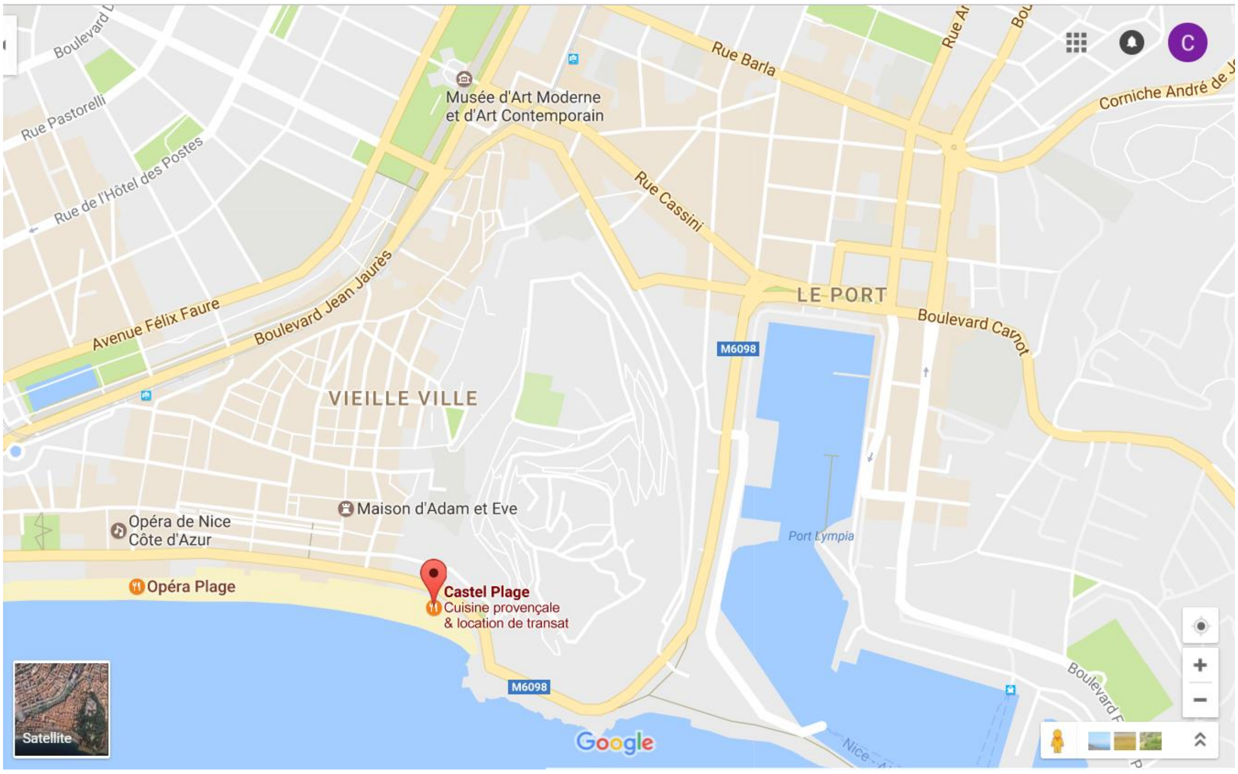
Take exit 51, Nice Centre from A8;
Follow the direction Nice Centre/Port by Voie Mathis;
At the very end of Voie Mathis go straight and then, on the left, follow the direction of Université/Campus Saint Jean D'Angely.

If you arrive from Italy/Menton/Monaco:

Take exit 55 Nice-Est from A8;
At the roundabout, take the direction Route de Turin;
Follow Route de Turin during 1 km;
Turn left onto Avenue Francois Mitterrand 350 m;
Turn right.

Campus Saint Jean d'Angely

Castel Plage (Wednesday 14th- 19:30)



Le Negresco (Thursday 15th - 19:30)