

# **Behavioural Finance Working Group Conference**

*Behavioural Finance and Economic Psychology – Recent Developments*

**7 – 8 April 2011**

**Behavioural Finance Working Group  
Cass Business School, City University London**

## **Keynote speaker**

Tommy Gärling (University of Gothenburg, Sweden)  
Neil Stewart (University of Warwick)

## **Organisers**

Gulnur Muradoglu (Cass Business School, UK) and Nigel Harvey (University College London, UK)

## **Special issue**

Presenters have the option to have their papers considered for a special issue of the Review of Behavioral Finance

Edited by Gulnur Muradoglu and Nigel Harvey

## **Venue**

Cass Business School  
106 Bunhill Row  
London  
EC1Y 8TZ

## Call for Papers

### Overview

Traditionally, financial economists have based their analysis of financial contracting on the assumption that agents are fully rational, emotionless, self-interested maximisers of expected utility (the homo economicus assumption). Behavioural economists are increasingly recognising that financial decision makers may be subject to cognitive biases and the effects of emotions (the homo sapiens view). Their work parallels that of economic psychologists who have, for many years, been concerned both with the psychological mechanisms underlying economic behaviour and with the psychological effects of economic events.

In this meeting, we will consider the many areas of common concern to those working in behavioural finance and economic psychology. These include processes underlying the financial judgments and decisions involved in spending, saving, trading, forecasting, currency exchange, and other financial behaviours. Examples of such processes are risk perception and risk taking. They also include phenomena associated with those behaviours, such as overconfidence, framing, loss aversion, herding, optimism, biased information search, and the money illusion.

We seek contributions relating to these issues at the level of

- Markets of various types
- Households, corporations or other financially active groups
- Individual consumers, investors or traders.

We invite you to submit extended abstracts, papers-in-progress or full papers by **15 February 2011**.

The organisers will come back with a decision within three weeks after this deadline. To submit a paper for consideration please email a PDF version of the paper to **Behavioural-Finance@city.ac.uk**

Papers selected for presentation at the meeting will, at the author's request, be considered for publication for a Special Issue of the ***Review of Behavioral Finance***.

## Behavioural Finance Working Group

### Background and purpose

Behavioural finance is a truly interdisciplinary field at the cross section of finance and psychology, with linkages to economics and sociology. It studies human behaviour, its reasons and its implications in finance. The Behavioural Finance Working Group (BFWG) was established in January 2008. It is led by Professor Gulnur Muradoglu at Cass Business School.

The group aims to:

- Facilitate interdisciplinary work by integrating finance, psychology, sociology and economics and promote the field of behavioural finance
- Facilitate interaction between academia and industry to ensure that we have a better understanding of the world around us and can develop models that can successfully be implemented.

### Keynote speaker

#### Professor Tommy Gärling

Professor **Tommy Gärling**, Professor of Psychology at Goteborg University will give the keynote speech on *Behavioural Impediments to Efficient Stock Investments: Overview and Explanations*.

#### Biography

Tommy Gärling graduated in 1972 from Stockholm University with a PhD in Psychology. After positions as Assistant Professor of Applied Psychology and Associate Professor of Psychology at Umeå University, Research Professor of Psychology and Planning at the Swedish Research Council of Humanities and Social Sciences and Director of the Transportation Research Unit at Umeå University, he was in 1992 appointed as Professor of Psychology at Göteborg University. Tommy Gärling is the co-editor of nine books and has authored and co-authored close to 400 book chapters, articles, and technical reports primarily in the areas of the psychology of attitudes, judgment, and decision making, environmental psychology and travel behaviour.

His articles have been published in leading international psychology, geography, and transportation journals. He is the past president of the environmental psychology division of the International Association of Applied Psychology and a former member of the board of the International Association of Travel Behaviour Research. He is a member of the editorial board of Journal of Environmental Psychology and Transportation, and is an associate editor of Journal of Economic Psychology.

### Keynote speaker

#### Professor Neil Stewart

Professor **Neil Stewart**, Mathematical Psychologist at Warwick University will give the keynote speech on ***Abandon Utility, Weighting and Discounting Functions.***

### **Biography**

Neil Stewart is a mathematical psychologist at Warwick University, with research interests in behavioural and psychological science. Neil trained as a natural scientist at Cambridge before moving to Warwick to study for his PhD. Neil's recent work focuses on economic decision making and the representation and processing of money, risk, and delay. Recent findings include demonstrating that including minimum payments on credit card statements actually reduces the repayments of most people, and that visiting the supermarket - and many other everyday experiences - alters how you value money.

An extreme possibility is that there is no such thing as utility, and Neil's decision-by-sampling theory (with Nick Chater and Gordon D. A. Brown) offers a utility-free explanation of our choice behaviour.

## **Behavioural Finance Working Group Conference Schedule**

**Thursday 7 April 2011**

Registration: 09.00 – 09.30

**Parallel Sessions: Sessions 1A and 1B (09.30 – 11.00)**

**Session 1A: Financial Bias 3 (09.30 – 11.00) – Room 2003**

Session Chair: William Forbes

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: William Forbes Discussant: Darren Duxbury	<i>Modelling Earnings Momentum Using a Representative Agent Framework</i>
Presenter: Marcela Giraldo Discussant: William Forbes	<i>Allocation of Research Resources: Dynamics of Analysts' Coverage</i>
Presenter: Darren Duxbury Discussant: William Forbes	<i>Do the Disposition and House Money Effect Coexist? The Differential Impact of Realized and Unrealized Gains and Losses</i>

**Session 1B: Financial Decision Making 1 (09.30 – 11.00) – Room 2002**

Session Chair: Chris Olivola

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Gabrielle Lepori Discussant: Gabriela Breaban	<i>Positive Mood Risk Attitudes, and Investment Decisions: Field Evidence From Comedy Movie Attendance in the US.</i>
Presenter: Oliver Marnet Discussant: Gabrielle Lepori	<i>Bias in the Boardroom: Effects of Bias on the Quality of Board Decision-making</i>
Presenter: Gabriela Breaban Discussant: Oliver Marnet	<i>The Demand for Structured Products: An Experimental Approach</i>

**Coffee break: 11.00 – 11.30**

**Parallel Sessions: Sessions 2A and 2B (11.00 – 13.00)**

**Session 2A: Financial Biases 1 (11.30 – 13.00) – Room 2003**

Session Chair: Eric Overby

<b>Presenter/Discussant</b>	<b>Title</b>
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Presenter: Octave Jokung Discussant: Margarida Abreu	<i>A Note on cross-prudence in wealth and hedonic adaption to health deterioration</i>
Presenter: Margarida Abreu Discussant: Darren Duxbury	<i>Information, Overconfidence and Trading: Do the Sources of Information Matter?</i>
Presenter: Darren Duxbury Discussant: Octave Jokung	<i>Do the Disposition and House Money Effect Coexist? The Differential Impact of Realized and Unrealized Gains and Losses</i>

### **Session 2B: Corporate Behaviour (11.30 – 13.00) – Room 2002**

Session Chair: John Ashton

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Luis Miguel Serra Coelho Discussant: Nikos Daskalakis	<i>Bad News Does not always Travel Slowly: The Bankruptcy Case</i>
Presenter: Nikos Daskalakis Discussant: John Ashton	<i>What Drives Capital Structure Decisions? The Role of Personality Traits in Corporate Financial Decision Making</i>
Presenter: John Ashton Discussant: Luis Miguel Serra Coelho	<i>Search Costs, Decision Avoidance and Deposit Interest Rate Setting</i>

**Lunch: 13.00 – 14.00**

### **Session 3: Practitioners – Issues in Behavioural Finance (14.00 – 15.00) – Room 2003**

Session Chair: **Gülnur Muradoğlu**

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Jeremy Ko Discussant: Open to floor	<i>Economic Models and Regulatory Remedies for the Problem of Consumer Credit</i>
Presenter: Anna-Riitta Lehtinen Discussant: Open to floor	<i>Consumers' Financial Capability as the Question of Corporate Responsibility</i>

**Afternoon coffee: 15.00 – 15.30**

### **Parallel Sessions: Sessions 4A and 4B (11.00 – 13.00)**

#### **Session 4A – Financial Decision Making 2 (15.30 – 17.00) – Room 2003**

Session Chair: Rob Raynard

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Maria Anderson Discussant: Ugo Rigoni	<i>Accuracy of Stock Investments Related to Length of Sequence of Historical Price Information</i>
Presenter: Ugo Rigoni Discussant: Tommy Gärling	<i>Analogical Transfer of Experience and the Misuse of Diversification</i>
Presenter: Rob Ranyard Discussant: Maria Anderson	<i>Credit Repayment Decisions: The Role of Long-Term Consequence Information, Economic and Psychological Factors</i>

**Session 4B: Financial Market Behaviour (15.30 – 17.00) – Room 2002**

Session Chair: Carol Osler

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Enrico Maria Cervellati Discussant: Carol Osler	<i>Market Reaction to Second-Hand News: Attention Grabbing or Information Dissemination?</i>
Presenter: Nikolaos Vlastakis Discussant: Enrico Maria Cervellati	<i>Information Demand and Stock Market Volatility</i>
Presenter: Carol Osler Discussant: Nikolaos Vlastakis	<i>Noise Trading and "Illusory Correlations" In US Equity Markets</i>

**Keynote speech: (17.15 – 18.15) – Room 2002**

Neil Stewart	<i>Abandon Utility, Weighting and Discounting Functions</i>
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**Dinner: 18.30 at Alba Restaurant**

**Friday 8 April 2011**

**Parallel Sessions: Sessions 1A and 1B (09.30 – 10.30)**

**Session 1A: PhD Session 1 (09.30 – 10.30) – Room 2003**

Session Chair: Neil Stewart

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Chiara Monticone Discussant: Neil Stewart	<i>Financial Literacy and the Demand for Financial Advice</i>
Presenter: Kristina Vasileva Discussant: Neil Stewart	<i>Herding in FDI Outflows</i>
Presenter: Job Van Wolferen Discussant: Neil Stewart	<i>Ex Ante Moral Hazard: Increased or Decreased Risk Taking?</i>

**Session 1B: PhD Session 2 (09.30 – 10.30) – Room 2002**

Session Chair: Tommy Gärling

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Arman Eshraghi Discussant: Tommy Gärling	How does Mutual Fund Manager Overconfidence Impact Mutual Fund Investment Performance?
Presenter: Artashes Karapetyan Discussant: Tommy Gärling	Mental Accounting in the House Market

**Coffee: 10.30 – 11.00****Parallel Sessions: Sessions 2A and 2B (11.00 – 12.30)****Session 2A: Financial Decision Making 3 (11.00 – 12.30) – Room 2003**

Session Chair: Dmitri Vinogradov

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Dmitri Vinogradov Discussant: Michele Graffeo	<i>Psychological Barriers in a Bidding Experiment</i>
Presenter: Mukunthan Santhanakrishnan Discussant: Dmitri Vinogradov	<i>Do Investors Categorize? Evidence from the College Football Betting Market</i>
Presenter: Michele Graffeo Discussant: Mukunthan Santhanakrishnan	<i>How Consumers Evaluate a Commercial Offer: Comparison Price Formats and Consumers' Numeracy.</i>

**Session 2B: Pensions & Insurance (11.00 – 12.30) – Room 2002**

Session Chair: Richard Fairchild

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: W. Fred Van Raaij Discussant: Richard Fairchild	<i>Individual Differences in Pension Knowledge</i>



Presenter: Kostas Koufopoulos Discussant: W. Fred Van Raaij	<i>Optimal Insurance under Adverse Selection and Ambiguity Aversion</i>
Presenter: Richard Fairchild Discussant: Kostas Koufopoulos	<i>From Behavioural to Emotional Corporate Finance: A New Research Direction</i>

**Lunch: 12.30 – 13.30**

**Session 3A: Financial Biases 2 (13.30 – 15.00) – Room 2003**

Session Chair: Daniel Richards

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Daniel Richards Discussant: Gilles Hillary	<i>Do Stop Losses Work? The Disposition Effect, Stop Losses and Investor Demographics</i>
Presenter: Serge Mace Discussant: Daniel Richards	<i>Michel is More Likely to Invest in Michelin Shares</i>
Presenter: Gilles Hillary Discussant: Serge Mace	<i>The Role of Anchoring Bias in the Equity Market: Evidence from Analysts' Earning Forecasts and Stock Returns</i>

**Session 3B: Corporate Investments (13.30 – 15.00) – Room 2002**

Session Chair: Richard Fairchild

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Hanke Wickhorst Discussant: Francesco Pattarin	<i>Reciprocity in Teams</i>
Presenter: Francesco Pattarin Discussant: Bernadette Kamleitner	<i>Psychological Determinants of Consumer Credit: The Role of Attitudes</i>
Presenter: Bernadette Kamleitner Discussant: Richard Fairchild	<i>Influencing the Propensity for Ethical Investment by Associating 'Investment Cost' and 'Retirement Benefits'</i>
Presenter: Helen Colby Discussant: Francesco Pattarin	<i>Don't Break the \$100 Bill: Large Bills Promote Savings Behavior</i>

**Coffee: 15.00 – 15.30**

**Parallel Sessions: Sessions 4A and 4B (15.30 – 17.00)**

**Session 4A: Sociology of Finance (15.30 – 17.00) – Room 2003**

Session Chair: Richard Taffler

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Alex Preda Discussant: Oliver Marnet	<i>The Interactional Embeddedness of Market Transactions: The Case of Electronic Trading Platforms</i>
Presenter: Richard Taffler Discussant: Alex Preda	<i>In the Minds of Fund Managers</i>
Presenter: Oliver Marnet Discussant: Richard Taffler	<i>Bias in the Boardroom: Effects of Bias on the Quality of Board Decision-making</i>

**Session 4B: Financial Market Behaviour 2 (15.30 – 17.00) – Room 2002**

Session Chair: Christopher Olivola

<b>Presenter/Discussant</b>	<b>Title</b>
Presenter: Dries Heyman Discussant: Susan Thorp	Individual Investors' Option Trading: Attention Grabbing versus Long-term Strategies
Presenter: Susan Thorp Discussant: Christopher Olivola	Economic Rationality, Risk Presentation, and Retirement Portfolio Choice
Presenter: Christopher Olivola Discussant: Dries Heyman	Axe the Tax: Taxes are Disliked More than Equivalent Costs

**Keynote speech: (17.15 – 18.15) – Room 2002**

Tommy Gärling	"Behavioural Impediments to Efficient Stock Investments: Overview and Explanations".
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**Dinner: 18:30 at *The Iskele Restaurant***

**Notes**

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