

MYOPIC LOSS AVERSION (MLA): THREE POSSIBLE ECONOMIC AND BEHAVIORAL REMEDIES



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Key Words: Myopic Loss Aversion - Decision Under Uncertainty - Equity Premium Puzzle - Endogenous Feedback - Informational Nudge

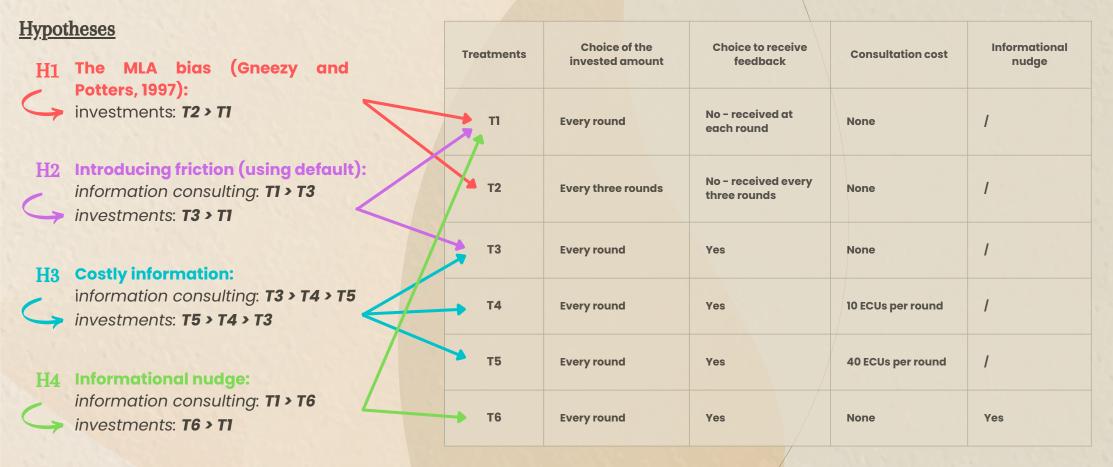
Main objective

Our six-treatment experiment investigates whether endogenous measures: using default, a costly information or the introduction of an informational nudge (free advice) can curb investors' MLA bias.

Literature review

- The Equity Premium Puzzle (Mehra and Prescott, 1985)
- Myopic Loss Aversion bias as the main explanation for the EPP (Benartzi and Thaler, 1995)
- Experimental evidence and design (Gneezy and Potters, 1997)
- Endogenization of the feedback frequency (Fellner and Sutter, 2009)

Research question: How effective are different economic and behavioral mechanisms in curbing investors' MLA bias?



Experimental design

Slider task

- Real effort task (eliminatory)
- Reward: "information account" of 360 ECUs

Individual measures

To cover possible costs to consult information in T4 and T5. If they do not use it to consult information, they can take that extra money home (in all treatments).

- Demographics
- Self-declared:
- Financial literacy
- Risk preferences, Impatience, Financial knowledge

Experimental task

- 9 rounds
- Investment choice: X ∈ [0; 200]
- "Endowment account": 200 ECUs renewed in each round to bet in the following lottery:

Payoff for each round =	1/3	200 + 2.5 X
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• **Earnings:** addition of every rounds' gains + informational account (minus the information's consultation cost for T4 and T5) + show-up fee



Décision		
Tour 1 sur 9		
		Instruct
Vous disposez de 20	ECU.	
Pour rappel, si vous n	nisez X ECU sur la loterie :	
	chances de perdre et donc votre gain sera égal à 200 ECU - X ECU chances de gagner et donc votre gain sera égal à 200 ECU + 2,5X EC	U
Combien voulez-vous m	ser sur la loterie ?	
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Four 2 sur 9 Vous avez misé 100 ECU. Le tirage au sort a déterminé que vous avez gagr	
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	é.
Votre gain pour le tour est donc égal à 200 + 2,5 x 100 = 450 ECU.	