



Nanyang Technological University

DIVISION OF ECONOMICS

Seminar Series

The Division of Economics invite you to a seminar by Professor Cars HOMMES

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- Speaker** : **Professor Cars HOMMES**
*Professor of Economic Dynamics
Faculty of Economics and Business
University of Amsterdam*
- Topic** : **"Coordination on Bubbles in Large-Group Asset Pricing Experiments"**
- Chairperson** : **Assistant Professor BAO Te**
*Division of Economics
School of Humanities & Social Sciences*
- Date** : **30 November 2017 (Wednesday)**
- Time** : **10:00am to 11.00am**
- Venue** : **HSS Meeting Room 4 (HSS 04-71)**
*Nanyang Technological University
School of Humanities and Social Sciences
14 Nanyang Drive
Singapore 637332*

About the Speaker:

Cars HOMMES is Professor of Economic Dynamics and Director of Center for Nonlinear Dynamics in Economics and Finance (CeNDEF) at the University of Amsterdam. He held visiting positions at University of Wisconsin, Stanford University and New York University. He has published more than 100 articles in leading journals like *Econometrica*, *Science*, *PNAS*, *Review of Financial Studies*, *Economic Journal* and *Journal of Economic Theory*. He has been Editor of the *Journal of Economic Dynamics and Control* 2002-2012 and currently is member of five editorial boards of international journals. He was the former President of the Society of Computational Economics (SCE), 2014-2016 and winner of the Distinguished Lorentz Fellowship 2014 in the Netherlands for his interdisciplinary research.

Abstract:

We present a large-group asset pricing experiment with the design of Hommes et al. (2008). Participants are asked to predict the price of a risky asset, whose realization depends on the aggregation of all individual forecasts. The asset markets consist of 21 to 32 participants, a group size larger than in most experiments. Multiple large price bubbles are observed in six out of seven markets. The bubbles emerge even faster and more frequently than in smaller markets. Individual forecast errors do not cancel out at the aggregate level and expectations cannot be called rational in the sense of Muth. Participants tend to coordinate on a trend-following prediction strategy that gives rise to the large bubbles. The price patterns observed in the experiment can be captured by a behavioral heuristics switching model. Heterogeneity in expectations seems crucial to explain the market dynamics.

Reservation:

Admission is free. Please reply to h-dae@ntu.edu.sg to confirm your attendance.