**CFA Institute Annual Conference**
**May 2014**

# BEHAVIORAL FINANCE
## Reading List
**Speaker: Nicholas Barberis (Yale University)**


General

Barberis, Nicholas, and Richard Thaler (2003), "A Survey of Behavioral Finance," in George Constantinides, Milton Harris, Rene Stulz (eds.), *Handbook of the Economics of Finance*, Volume 1, Elsevier.

Kahneman, Daniel (2011), *Thinking, Fast and Slow*, Farrah, Straus, and Giroux.

Rabin, Matthew (1998), "Psychology and Economics," *Journal of Economic Literature* 36, 11-46.

Shiller, Robert (2005), *Irrational Exuberance*, Crown Publishing Group.

Shleifer, Andrei (2000), *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford University Press.

Representativeness / Belief in law of small numbers

Barberis, Nicholas, Robin Greenwood, Lawrence Jin, and Andrei Shleifer (2014), "X-CAPM: An Extrapolative Capital Asset Pricing Model," *Journal of Financial Economics*, forthcoming.

Barberis, Nicholas, Andrei Shleifer, and Robert Vishny (1998), "A Model of Investor Sentiment," *Journal of Financial Economics* 49, 307-345.

Kahneman, Daniel, and Amos Tversky (1974), "Judgment under Uncertainty: Heuristics and Biases," *Science* 185, 1124-1131.

Rabin, Matthew (2002), "Inference by Believers in the Law of Small Numbers," *Quarterly Journal of Economics* 117, 775-816.

Overconfidence

Barber, Brad, and Terrance Odean (2000), "Trading is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors," *Journal of Finance* 55, 773-806.

Ben-David, Izthak, John Graham, and Campbell Harvey (2013), "Managerial Miscalibration," *Quarterly Journal of Economics* 128, 1547-1584.

Eyster, Erik, Matthew Rabin, and Dimitri Vayanos (2013), "Financial Markets where Traders Neglect the Informational Content of Prices," Working paper.

Malmendier, Ulrike, and Geoffrey Tate (2008), "Who Makes Acquisitions? CEO Overconfidence and the Market's Reaction," *Journal of Financial Economics* 89, 20-43.

Prospect theory

Barberis (2013), "Thirty years of Prospect Theory in Economics: A Review and Assessment," *Journal of Economic Perspectives* 27, 173-196.

Barberis, Nicholas, and Ming Huang (2008), "Stocks as Lotteries: The Implications of Probability Weighting for Security Prices," *American Economic Review* 98, 2066-2100.

Benartzi, Shlomo, and Richard Thaler (1995), "Myopic Loss Aversion and the Equity Premium Puzzle," *Quarterly Journal of Economics* 110, 75-92.

Ilmanen, Antti (2012), "Do Financial Markets Reward Buying or Selling Insurance and Lottery Tickets?" *Financial Analysts Journal* 68.

Kahneman, Daniel, and Amos Tversky (1979), "Prospect Theory: An Analysis of Decision under Risk," *Econometrica* 47, 263-291.

Experience effects

Malmendier, Ulrike, and Stefan Nagel (2012), "Depression Babies: Do Macroeconomic Experiences Affect Risk-taking?" *Quarterly Journal of Economics* 126, 373-416.

Malmendier, Ulrike, Geoffrey Tate, and Jon Yan (2011), "Overconfidence and Early-life Experiences: The Effect of Managerial Traits on Corporate Financial Policies," *Journal of Finance* 66, 1687-1733.

Neuroeconomics (with application to realization utility)

Barberis, Nicholas, and Wei Xiong (2012), "Realization Utility," *Journal of Financial Economics* 104, 251-271.

Frydman, Cary, Nicholas Barberis, Colin Camerer, Peter Bossaerts, and Antonio Rangel (2014), "Using Neural Data to Test a Theory of Investor Behavior: An Application to Realization Utility," *Journal of Finance* 69, 907-946.

Odean, Terrance (1998), "Are Investors Reluctant to Realize Their Losses?" *Journal of Finance* 53, 1775-1798.

Social Psychology

Aronson, Elliot, Timothy Wilson, and Robin Akert (2007), *Social Psychology*, New York: Prentice Hall.

Criticisms of behavioral finance

Fama, Eugene F. (1998), "Market Efficiency, Long-Term Returns, and Behavioral Finance," *Journal of Financial Economics* 49, 283-307.

Rubinstein, Mark (2001), "Rational Markets: Yes or No? The Affirmative Case," *Financial Analysts Journal* (May-June), 15-29.

Prescriptive behavioral finance

Thaler, Richard, and Cass Sunstein (2008), *Nudge: Improving Decisions about Health, Wealth, and Happiness,* Yale University Press.

Other papers from the talk

Barber and Odean (2002), "Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment," *Quarterly Journal of Economics* 116, 261-292.

Boyer, Brian, Todd Mitton, and Keith Vorkink (2010), "Expected Idiosyncratic Skewness," *Review of Financial Studies* 23, 169-202.

Boyer, Brian, and Keith Vorkink (2012), "Stock Options as Lotteries," *Journal of Finance*, forthcoming.

Conrad, Jennifer, Robert Dittmar, and Eric Ghysels (2012), "Ex-ante Skewness and Stock Returns," *Journal of Finance* 68, 85-124.

Conrad, Jennifer, Nishad Kapadia, and Yuhang Xing (2013), "Death and Jackpot: Why Do Individual Investors Hold Overpriced Stocks?" *Journal of Financial Economics*, forthcoming.

De Bondt, Werner, and Richard Thaler (1985), "Does the Stock Market Overreact?" *Journal of Finance* 40, 793-808.

Eraker, Bjorn, and Mark Ready (2011), "Do Investors Overpay for Stocks with Lottery-like Payoffs? An Examination of the Returns on OTC Stocks," *Journal of Financial Economics*, forthcoming.

Green, Clifton, and Byoung Hwang (2012), "Initial Public Offerings as Lotteries: Skewness Preference and First-Day Returns," *Management Science* 58, 432-444.

Grinblatt, Mark, and Matti Keloharju (2009) "Sensation-seeking, Overconfidence, and Trading Activity," *Journal of Finance* 549-578.

Shefrin, Hersh, and Meir Statman (1985), "The Disposition to Sell Winners too Early and Ride Losers too Long: Theory and Evidence," *Journal of Finance* 40, 777-790.

Shiller, Robert (1981), "Do Stock Prices Move too Much to be Justified by Subsequent Changes in Dividends?" *American Economic Review* 71, 421-436.