REPLICATION NOTES FOR "TRUSTING THE STOCK MARKET"

Wednesday 10th January, 2024

Keywords

1 Key results to replicate

1. Significance of trust should be retained when controlling for risk and ambiguity measures. Risk and ambiguity aversion measures should not be statistically significant. Number of stocks should be decreasing in risk tolerance but increasing in the level of trust.

2. "More loss-averse people should insure more, but...less trusting people insure themselves less" - is there a measure of insurance in the HRS data?

3. Distinguish trust and optimism: is there a measure of optimism in HRS similar to the one from the "Life Orientation Test"

4. See if the trust results are robust for general trust and trust measures more specific to the financial system ("confidence toward the bank as a broker")

2 Variables needed from HRS (2020)

Participation, shares, generalized trust measure, risk aversion, ambiguity aversion, optimism, more specific trust measures, demographics (race, gender, employment, education)

3 Statistical model