

Competitiveness and Speculative Behavior



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 - traders compete against each other
 - competitive business culture
 - tournament incentives
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- Bubbles driven by *speculative behavior*
(e.g., Galbraith, 1994; Kindleberger/Aliber 2011;
Brunnermeier/Schnabel, 2016)

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 - → more speculation / more bubbles?
(e.g., Fellner/Maciejovsky, 2007; Breaban/Noussair, 2015; Eckel/Füllbrunn, 2015; Holt et al., 2017)
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 - → less speculation / fewer bubbles?
(e.g., Weitzel et al., 2020)

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- → introduce cognitive sophistication and common knowledge about that as an additional explanatory variable

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Hypothesis 3

Subjects' propensity to speculate is lower with common knowledge about being in a high-performance group than with common knowledge about being in a low-performance group.

Experiment: Procedure

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2. Elicit speculative behavior ('Bubble Game') within these groups

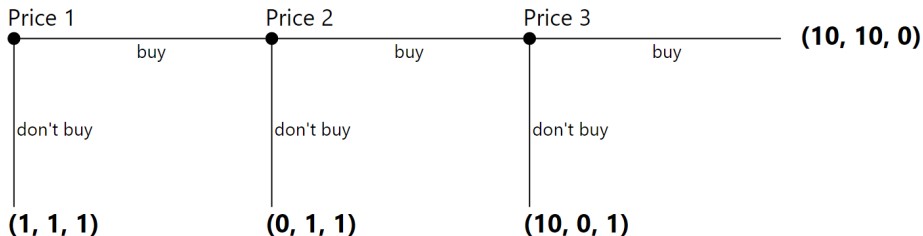
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 - Tournament incentives
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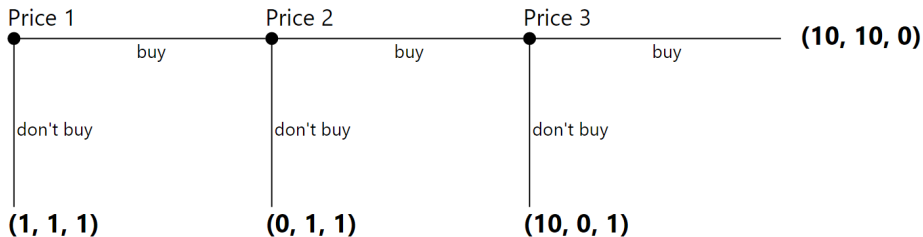
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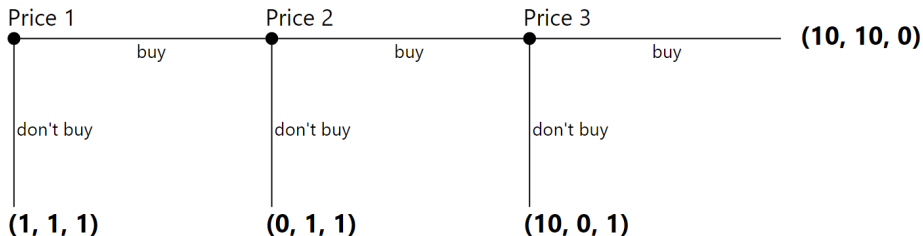


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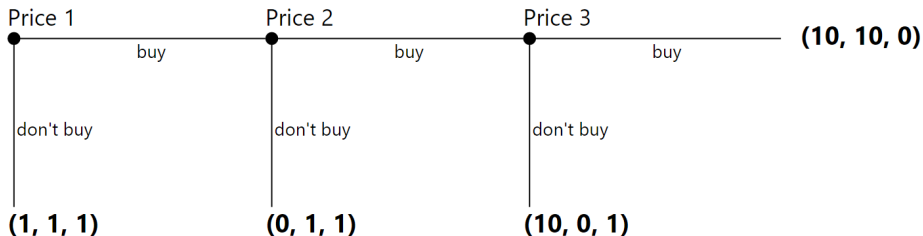
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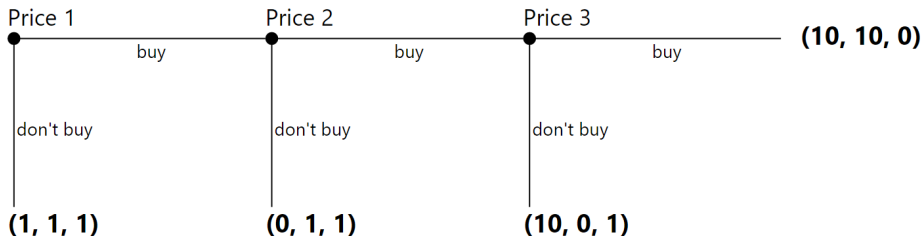
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- → individual measure for propensity to speculate (Janssen et al., 2019)

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- strategy method
- → individual measure for propensity to speculate (Janssen et al., 2019)
- → aggregate outcomes: bubble or no bubble

Experiment: Treatments

	Information level		
	none	LOW-group	HIGH-group
Information about others' willingness to compete	BASE	$PERF_{LOW}$	$PERF^{HIGH}$
Information about others' performance		$COMP_{LOW}$	$COMP^{HIGH}$

246 **male** participants (so far; preregistered: 480, i.e., 96/treatment)

- BASE: 42
- PERF^{HIGH}: 51
- PERF_{LOW}: 51
- COMP^{HIGH}: 51
- COMP_{LOW}: 51

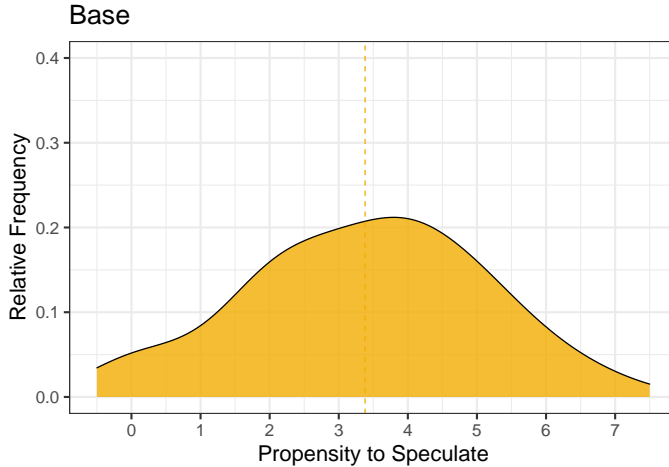
Since March 2022, data collection still ongoing

Several labs: WU Vienna, Innsbruck, Graz, Brno

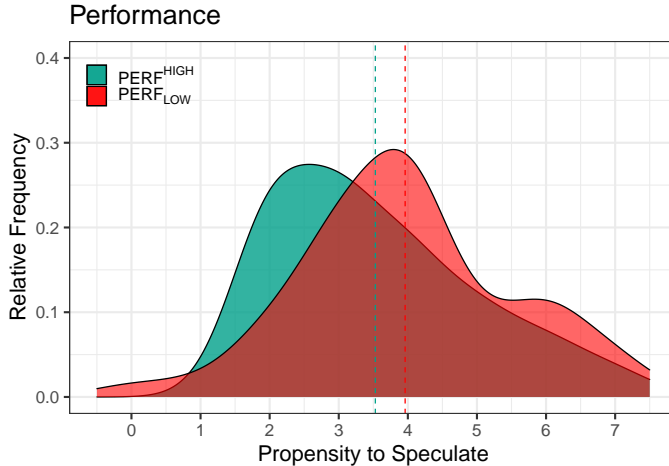
Student participants, avg. age: 22.8 - 24.7

Propensity to speculate across treatments

Treatment	Mean	S.d.
BASE	3.381	(1.696)
PERF ^{HIGH}	3.529	(1.433)
PERF _{LOW}	3.961	(1.523)
COMP ^{HIGH}	3.824	(1.786)
COMP _{LOW}	3.510	(2.014)

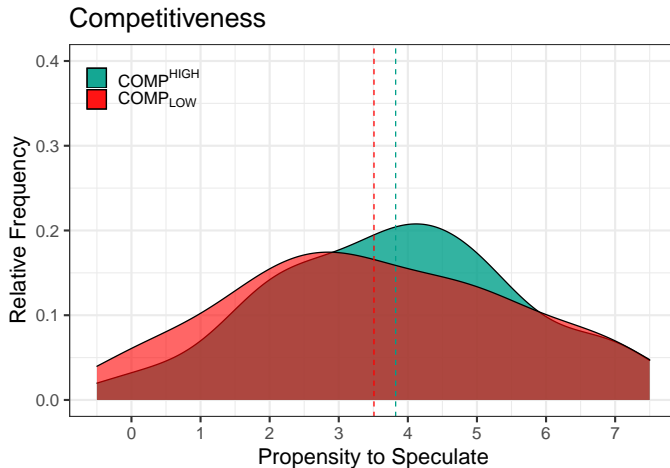


Results



t -test: $p = 0.144$

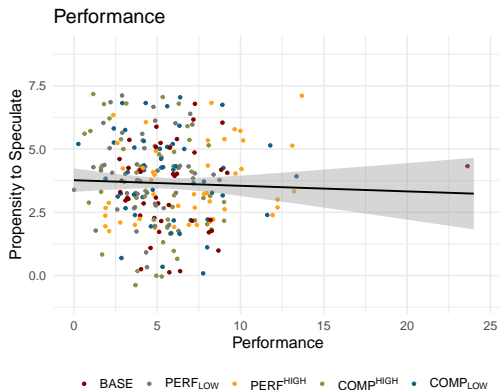
Wilcoxon ranksum test: $p = 0.075$



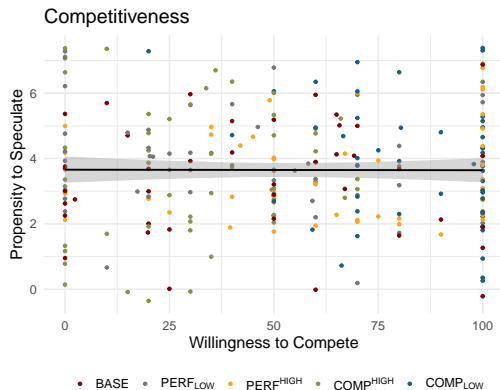
t-test: $p = 0.407$

Wilcoxon ranksum test: $p = 0.401$

Results



BASE: $\rho = 0.060$
 PERF: $\rho = 0.081$
 COMP: $\rho = -0.184$



$\rho = -0.035$
 $\rho = -0.017$
 $\rho = 0.004$

Beliefs about *others'* performance/competitiveness across treatments

Treatment	Spec.	Beliefs(Performance)	Beliefs(Competitiveness)
BASE	3.381	4.738	4.476
PERF ^{HIGH}	3.529	4.667	4.708
PERF _{LOW}	3.961	4.167	4.292
COMP ^{HIGH}	3.824	4.267	5.000
COMP _{LOW}	3.510	4.800	4.533

(Preliminary) Conclusion

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- ... more data will tell



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