

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. David Pospíšil
Advisor:	PhDr. Václav Korbel
Title of the thesis:	Emotional Anchoring in Experimental Asset Markets

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

David delved into a topic of bubbles in asset markets. It is a current and relevant topic, especially after the US real estate bubble crash in 2008. The author focuses specifically on emotions. Policywise, it is an interesting question since emotions on asset markets can become much more pronounced at the time of high volatility. For that, he utilizes methods of experimental economics and conducts an experiment at an internet platform Amazon Mechanical Turk (Mturk). The main findings show that participants were more likely to enter a bubble when primed with a negative emotion. Positive emotion treatment had no effect.

First of all, I would like to highlight that David worked independently on the design and had to overcome lots of technical issues (including restrictions for carrying out experiments on the Mturk) on the way to conduct the experiment. A high-quality experiment alone is, I believe, a sufficient contribution for a master thesis at the IES. Moreover, the chosen research question is interesting enough to bring new results about creation of bubbles in asset markets.

Experimental design and data

Amazon Mechanical Turk is a popular platform for online experiments, however, there are lots of shortcomings such as limited control over subjects, selection, internet forums or multiple accounts to name a few. David carefully designed the experiment using Qualtrics and managed to limit most of the issues. On the other hand, running the chosen experimental game – the Bubble game - on the Mturk is a bit problematic. Mturk workers devote very short time on each task and typically answer more tasks simultaneously. Therefore, it could be expected that it introduced noise into the results since the set up of the Bubble game is quite complicated. This issue was partly tackled by inclusion of control questions. Moreover, not paying participants for a resale of the asset further lowers the incentive of participants to think carefully about the decision. The solution to this problem could be ex-post matching of participant's answers. Even though it would be technically complicated, it would improve the reliability of the results. Nevertheless, the abovementioned problems are rather minor issues. Number of observations is not high but app. 66 observations per cell should be adequate. It would be still nice to see power calculations as a check.

Analysis and results

The author looks mainly on treatment effects since number of observation does not allow a proper analysis of subgroups. He uses appropriate tests to show the results. Only, logit models could have been expressed in marginal effects which would be easier to interpret. Due to missing testable predictions, the comparison of models is rather descriptive. Nevertheless, it still opens an interesting avenue for a future research.

Summary

The thesis is of a high quality. It uses up to date methodology, relevant literature and presents the experiment and findings in a succinct and structured way. The thesis would however benefit from further editing. It would be also nice to have testable predictions from models described in section 3.3., however, this goes probably beyond the scope of a master thesis. Even though the environment is artificial and subject pool different from the typical one on asset markets, the results show compelling evidence of how is human decision making influenced by emotions.

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From all of the abovementioned reasons, I recommend the thesis for defence and I suggest grade A, excellent. Since all my comments have been incorporated in previous iterations of the thesis, I do not have additional questions.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	24
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	15
TOTAL POINTS (max. 100 points)	82
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Václav Korběl*

DATE OF EVALUATION: 17.1.2017

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě