

Abstract

The thesis aims to contribute to the literature on the biological underpinnings of important economic behaviors. Financial markets can become dangerously unstable from many reasons such as the hormones contained in our bodies. We primarily focus on the effect of basal testosterone and cortisol on willingness to compete and risk taking. We also investigate their interaction called the dual-hormone hypothesis, because it has not been sufficiently analyzed and replicated so far. We run a controlled laboratory experiment with 96 university students and have gender-balanced dataset, thus we can also examine gender differences. We find no support that higher testosterone increase willingness to compete in men as opposed to most of the recent literature. Moreover, higher levels of testosterone decrease competitiveness but only for women. We further find positive effect of the 2D:4D ratio for women and negative effect of trait anxiety for men on competitiveness. There are also substantial gender differences in competitive and risk taking behavior. We cannot confirm the dual-hormone hypothesis for willingness to compete. But we find significant support for the dual-hormone hypothesis for risk taking for women and with negative effect of testosterone on risk taking. The effects stay robust even after controlling for other influential variables.

JEL Classification C12, C91, D91, G41

Keywords hormones, testosteron, cortisol, risk taking, competitiveness, 2D:4D, dual-hormone hypothesis

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