

SOE 12: Behavioral Models for Stock Prices (Invited Talk Cars Hommes)

Time: Wednesday 9:30–10:15

Location: H36

Invited Talk

SOE 12.1 Wed 9:30 H36

Booms, bust and behavioral heterogeneity in stock prices —

•CARS HOMMES — University of Amsterdam, CeNDEF

We discuss behavioral models with heterogeneous expectations to describe booms and busts in speculative asset markets. Investors are

boundedly rational and switch between different investment strategies, such as fundamentalists or chartists. We discuss theoretical work, with empirical applications to the stock market and to housing markets. We also discuss the emergence of bubbles and crashes in laboratory experiments with human subjects. Finally, we discuss how policy may mitigate speculative asset bubbles.