

Canonical Aspects of SJDM Research

SJDM Presidential Address
November 19, 2023
Abigail B. Sussman

Thank you

SJDM Executive Board

Program Committee

Conference Reviewers

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Sloman**



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Mullainathan**



**Eldar
Shafir**



**Danny
Oppenheimer**



**Alex
Todorov**



**Chicago Booth Marketing Group &
Roman Family Center for Decision Research**

Inaugural Initiatives at SJDM

SDJM Virtual Doctoral Symposium

Irene Scopeletti, Ovul Sezer, Alix Barash, and Emma Levine

Virtual EADM/SJDM Symposium

Dan Bartels and Sudeep Bhatia

Best Paper Award

Gretchen Chapman, Robyn LeBoeuf, and Neil Stewart

Today's Presentation

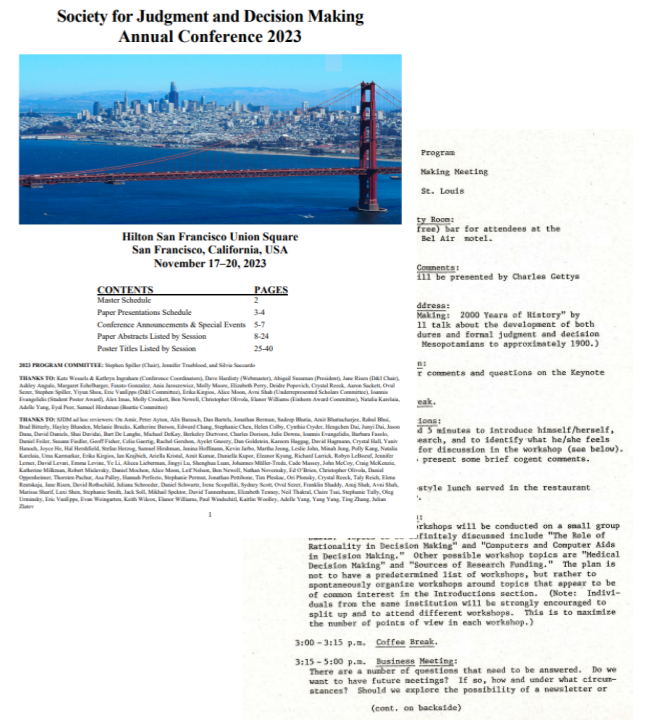
- Where we've been
- Impactful outcomes
- Broad disciplinary representation
- Methodological rigor

Where we've been

SJDM conference programs from 1980-2023

Identify topics and methods from talk and poster titles and abstracts

- Tokenize unigrams and bigrams
- Remove common word unigrams
- Manually examine all bigrams appearing $> 10x$
- Combine similar topics (e.g., intertemporal choice, time preferences, temporal discounting → “intertemporal choice”)
- Extract the rank, frequency, and % of each concept in each period



Jieyi Chen

Topics over time



1980-1999

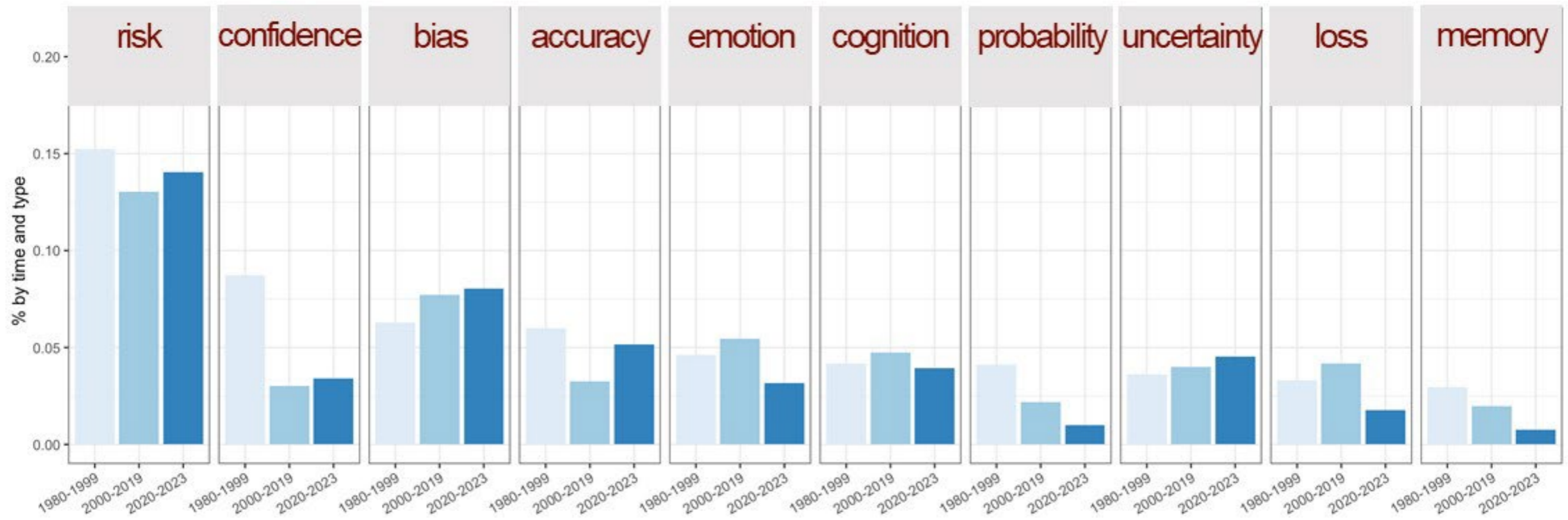


2000-2019

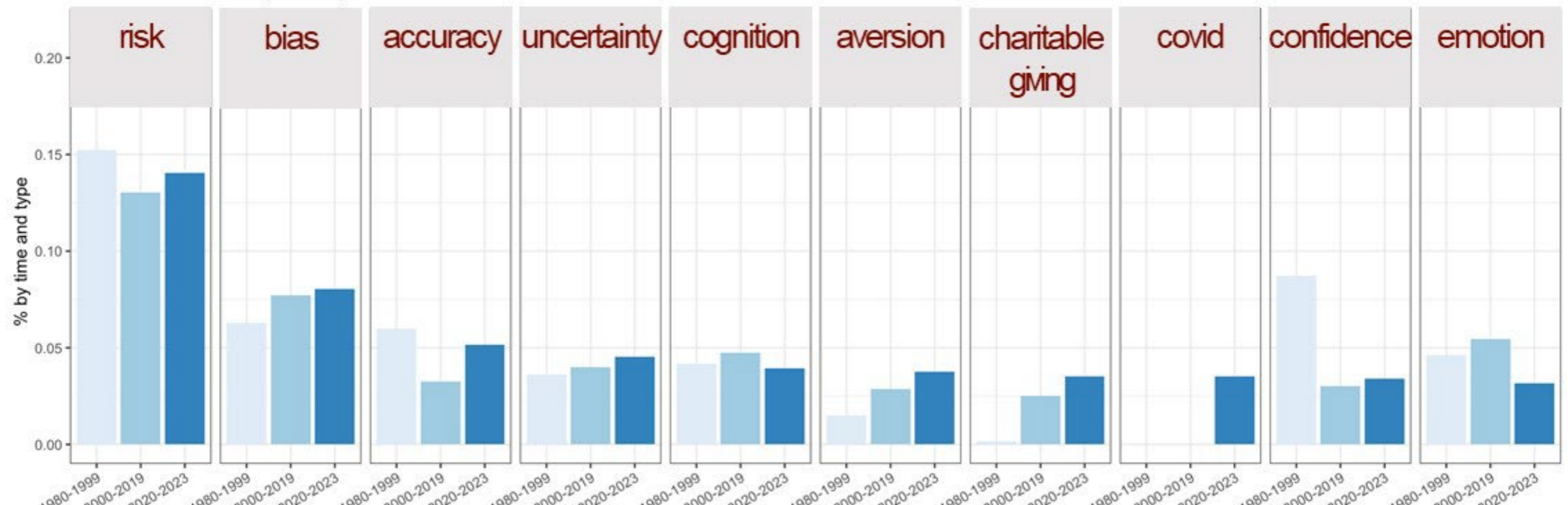


2020-present

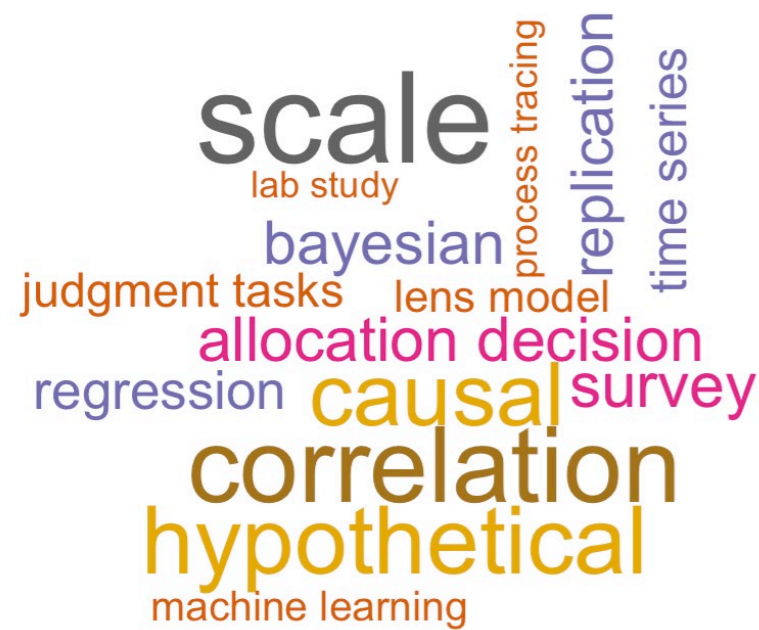
Top 10 Topics 1980-1999



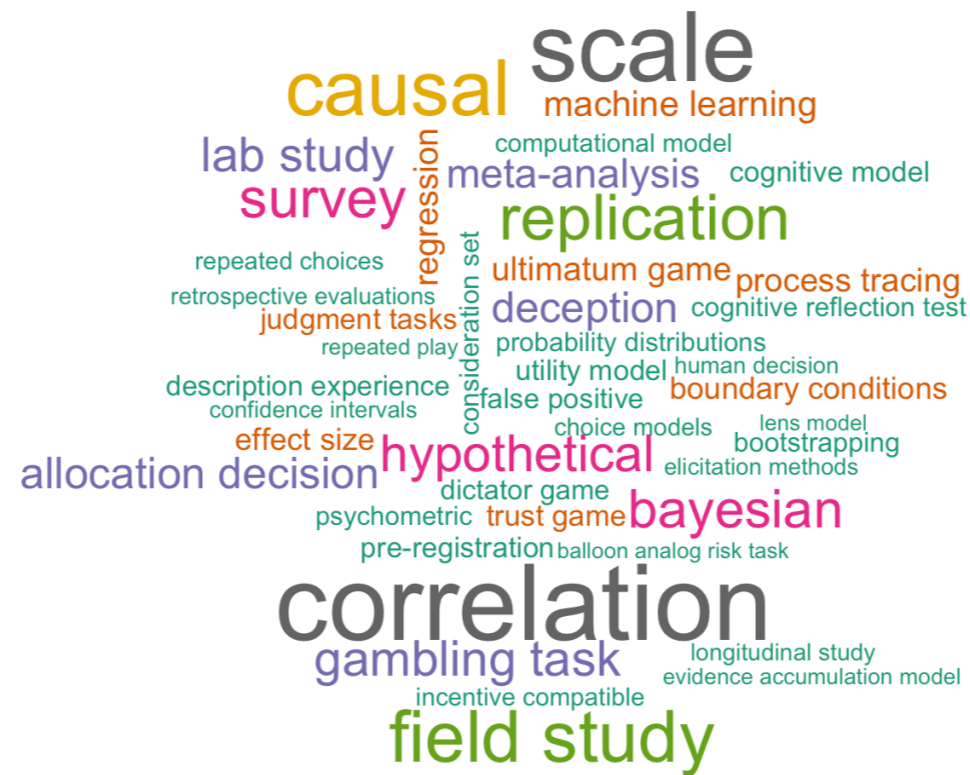
Top 10 Topics 2020-2023



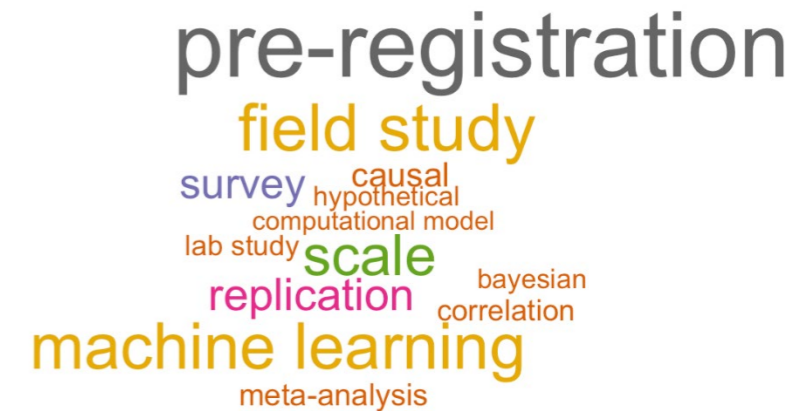
Methods described over time



1980-1999

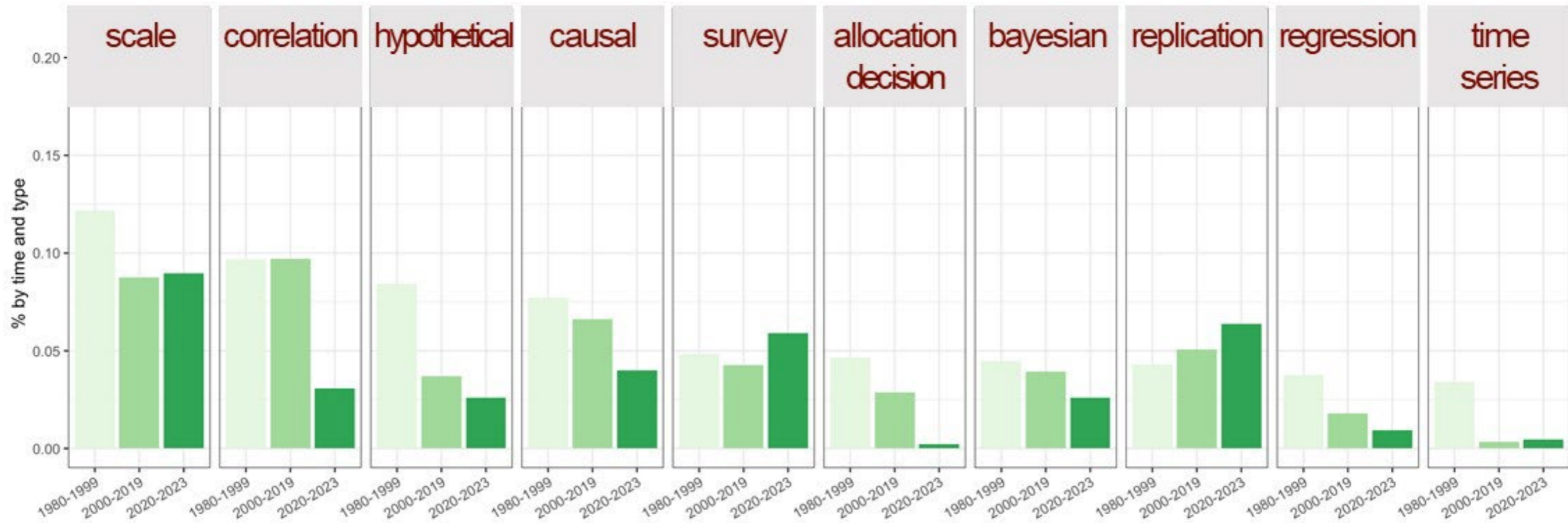


2000-2019

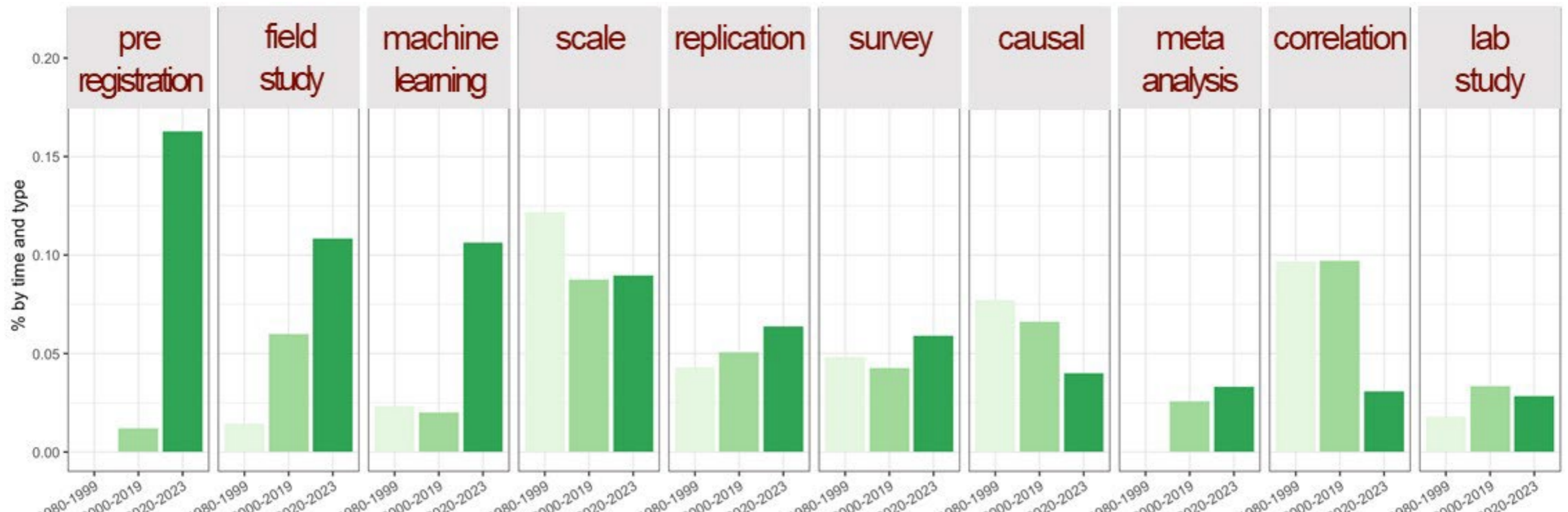


2020-present

Top 10 Methods Described 1980-1999



Top 10 Methods Described 2020-2023



Today's Presentation


- Where we've been
- **Impactful outcomes**
- Broad disciplinary representation
- Methodological rigor

Impactful Outcomes

Translating insights across lab and field

Goal of improving decisions

Understanding and Neutralizing the Expense Prediction Bias: The Role of Accessibility, Typicality, and Skewness

Ray Charles “Chuck” Howard, David J. Hardisty ,
Abigail B. Sussman , and Marcel F. Lukas

Abstract

Consumers display an expense prediction bias in which they underpredict their future spending. The authors propose this bias occurs in large part because (1) consumers base their predictions on typical expenses that come to mind easily during prediction, (2) taken together, typical expenses lead to a prediction near the mode of a consumer’s expense distribution rather than the mean, and (3) expenses display positive skew (with mode < mean). Accordingly, the authors also propose that prompting consumers to consider reasons why their expenses might be different than usual increases predictions—and therefore prediction accuracy—by bringing atypical expenses to mind. Ten studies (N = 6,044) provide support for this account of the bias and the “atypical intervention” developed to neutralize it.

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Chuck Howard



Dave Hardisty



Marcel Lukas

Underestimating expenses leads to costly fees from early 401k plan withdrawals, payday loans, and credit card interest

(Consumer Federation of America 2018; Federal Reserve Bank of New York 2018; Fellowes and Willemin 2013; Pew Charitable Trusts 2012; Yang, Markoczy, and Qi 2007)

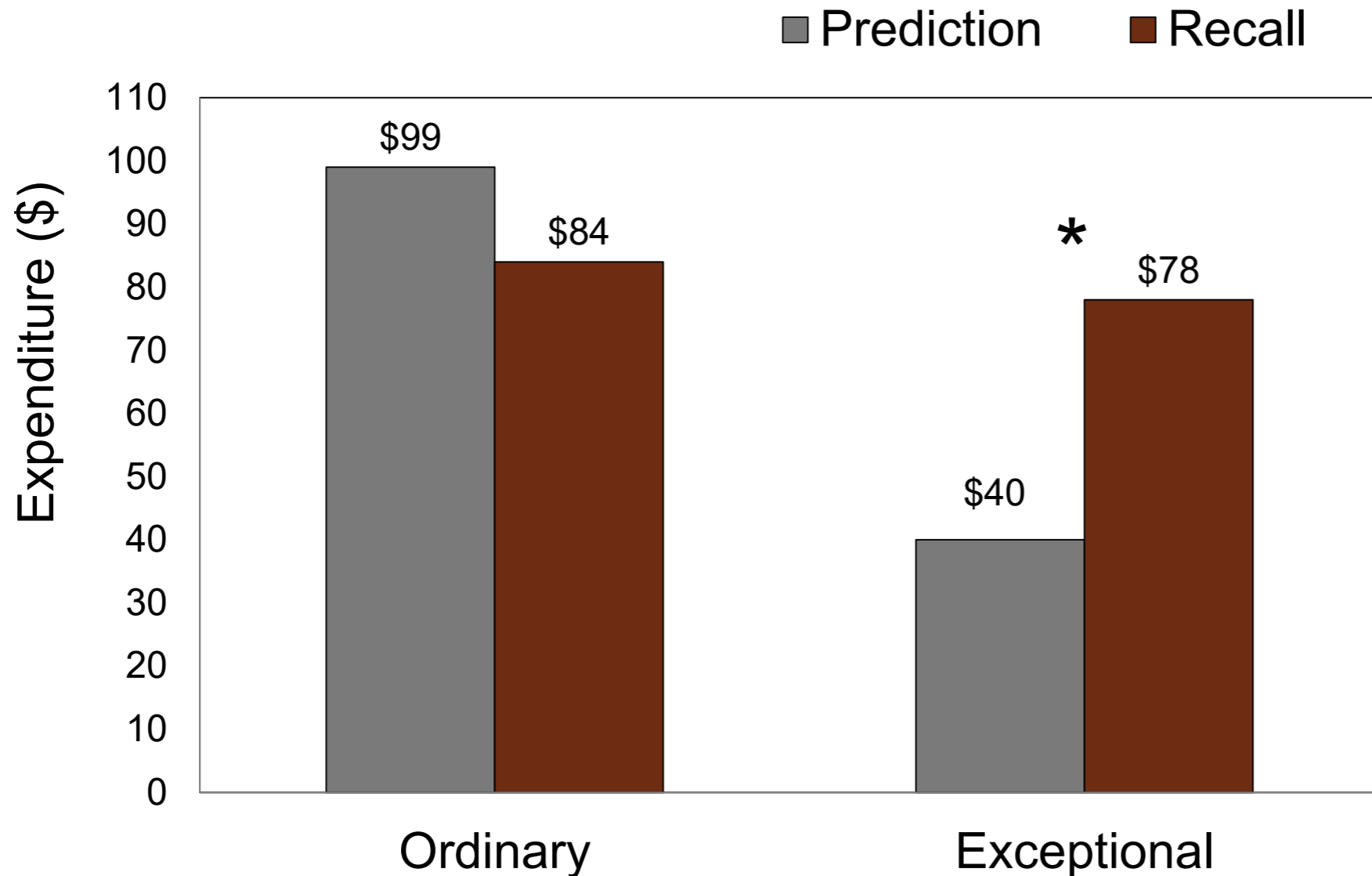
Think-aloud protocol

55 Canadian Undergraduates

What thoughts come to mind predicting next week's expenses?

Classification	Proportion	First Thought	Examples
Typical	83.64%	67.27%	“ Typically I buy groceries every week. That’s about \$50 dollars or so.” “On average , I would say I spend around \$10 per day on food and drinks.” “ Normally I will spend, uh, approximately \$20 per day for food.” “On Friday I usually get gas so that’s usually thirty dollars a week.”
Future-oriented	54.55%	32.73%	“Huh, I’m traveling next week too, traveling is...I’ll say \$400, yeah.” “ This Sunday , I might go to the mall to get new work clothes for my co-op, so that might be dress shoes, that might be maybe \$120.” “Are there any birthdays coming up ? Oh wait, my brother’s birthday...that’s going to be about \$300.”
Adjustment	50.91%	0.00%	“I’ll put about \$20 for like miscellaneous items.” “And just for miscellaneous items I would put another \$10.” “And then, shopping... miscellaneous , we’ll just budget \$50 for that.”

Underestimating Exceptional Expenses



Adam Alter

(Sussman & Alter, 2012)

Ordinary Difference - $F(1, 58) = .035, p = .852, \eta^2 = .00$

Exceptional Difference - $F(1, 58) = 9.46, p = .003, \eta^2 = .14$

Interaction - $F(1, 58) = 6.76, p = .012, \eta^2 = .10$

Improving Prediction Accuracy

Partner with Canadian credit union ($N = 187$)

Baseline survey predicting next week's expenses

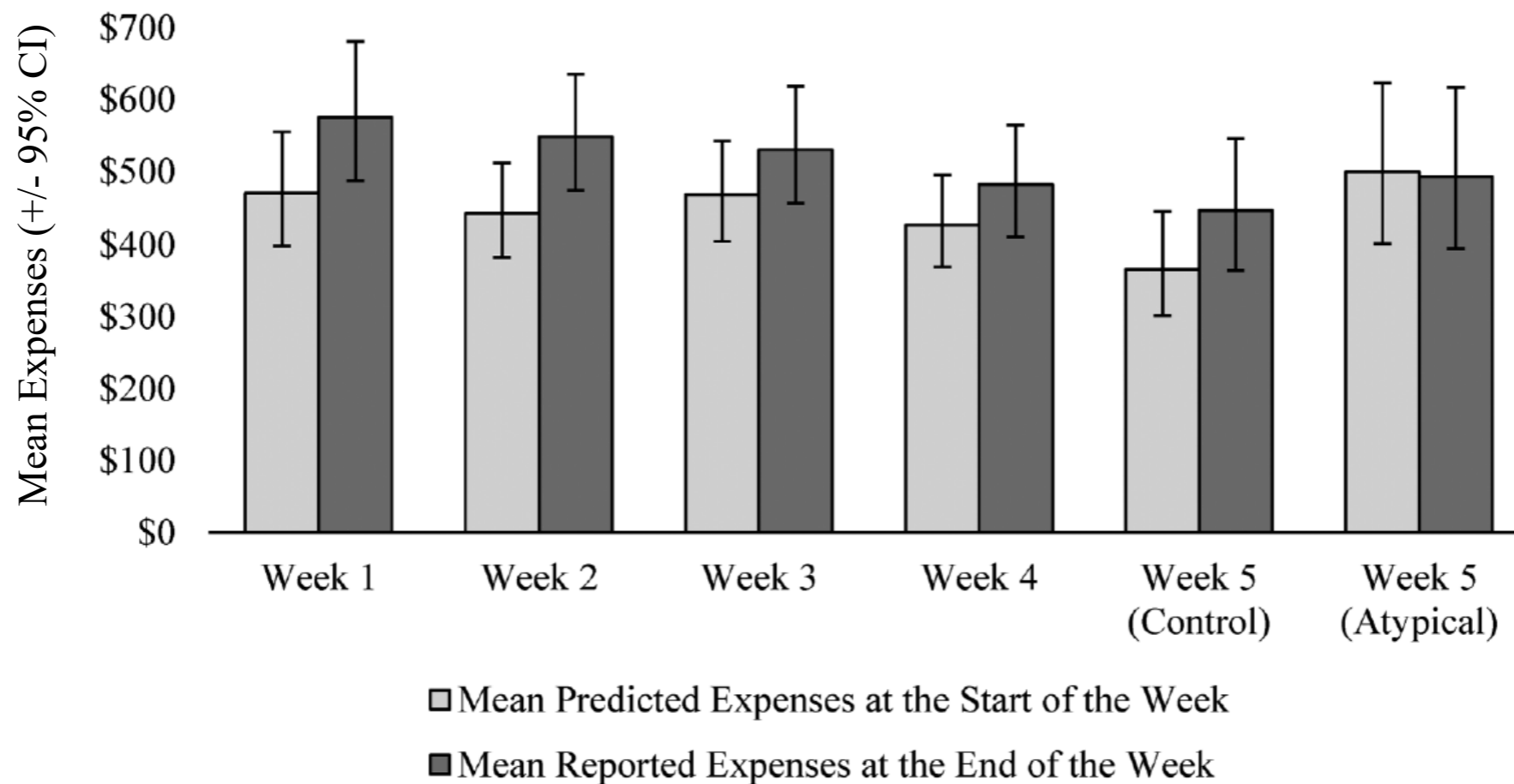
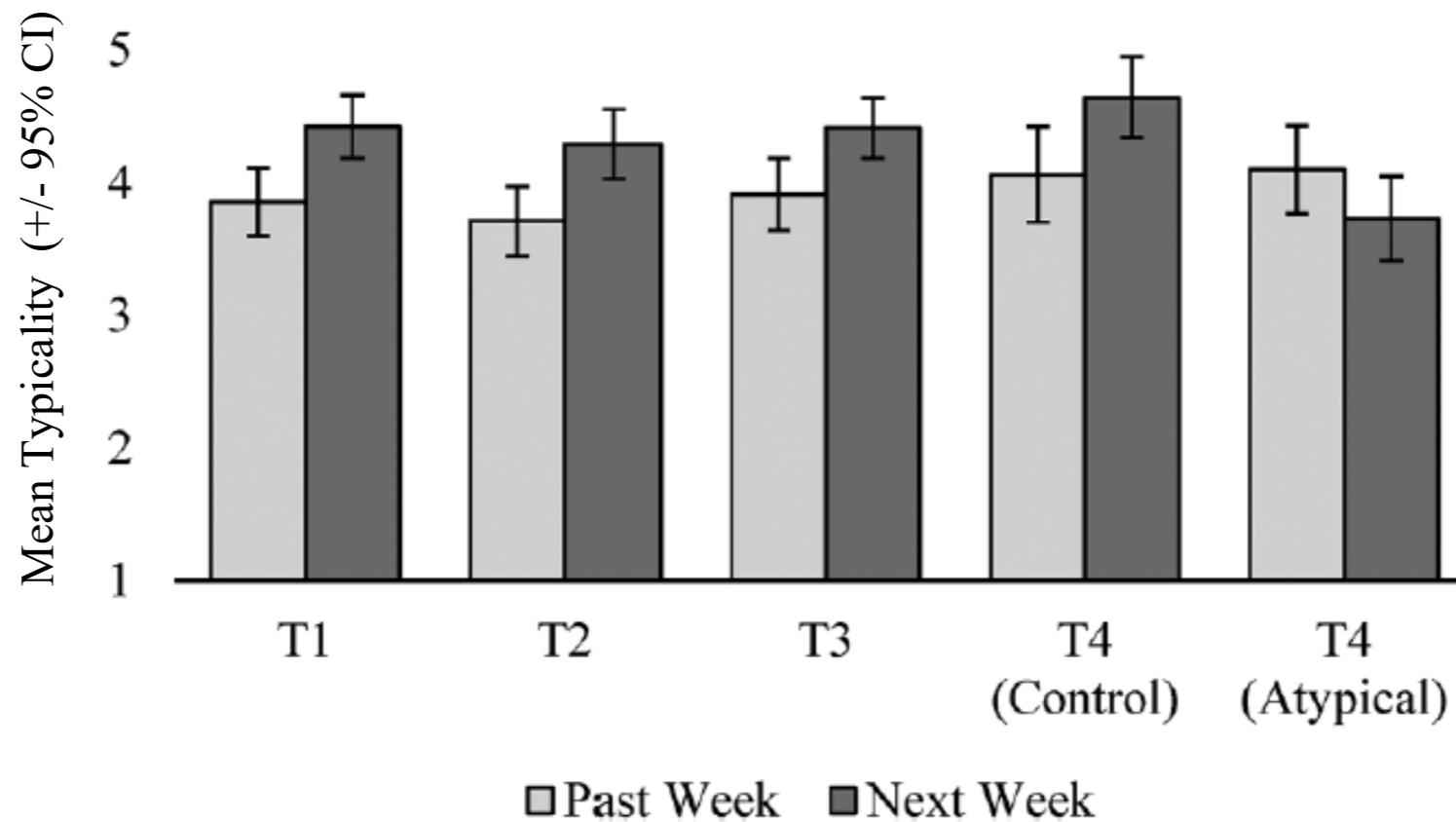
5 weekly surveys

- Report last week's spending
- Predict next week's spending

Measured expense typicality

Atypical Intervention

Please take some time to consider why your expenses for the next week might be different from a typical week. In the space provided, please type 3 reasons why your expenses for next week might be different from a typical week.”



SJDM Values Impactful Outcomes

No shortage of problems to solve

Moving from lab to field

Moving from field to lab

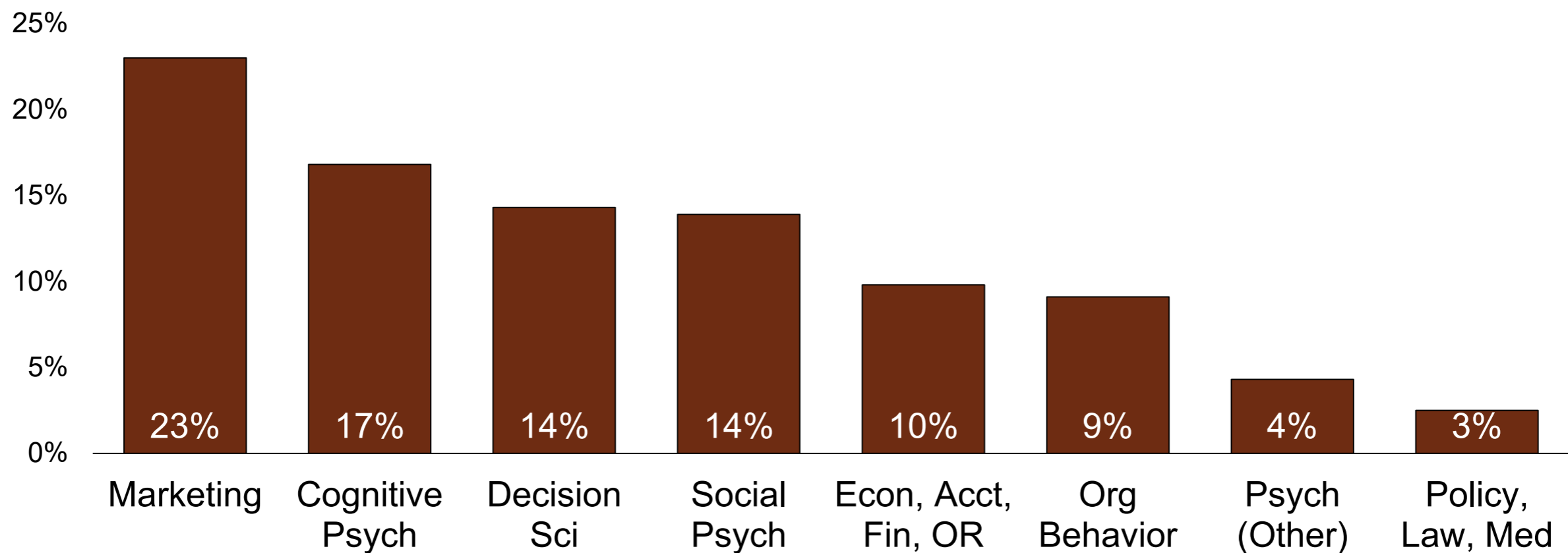
Today's Presentation

- Where we've been
- Impactful outcomes
- **Broad disciplinary representation**
- Methodological rigor

Broad Disciplinary Representation

Multi-method approaches

Process and applications



2022 SJDM Member Composition

The Journal of FINANCE

The Journal of THE AMERICAN FINANCE ASSOCIATION

THE JOURNAL OF FINANCE • VOL. LXXIV, NO. 6 • DECEMBER 2019

Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows

SAMUEL M. HARTZMARK and ABIGAIL B. SUSSMAN*

ABSTRACT

Examining a shock to the salience of the sustainability of the U.S. mutual fund market, we present causal evidence that investors marketwide value sustainability: being categorized as low sustainability resulted in net outflows of more than \$12 billion while being categorized as high sustainability led to net inflows of more than \$24 billion. Experimental evidence suggests that sustainability is viewed as positively predicting future performance, but we do not find evidence that high-sustainability funds outperform low-sustainability funds. The evidence is consistent with positive affect influencing expectations of sustainable fund performance and nonpecuniary motives influencing investment decisions.



Sam Hartzmark

Do investors *collectively* view sustainability as a positive, negative, or neutral attribute?

Examine a shock to the salience of sustainability



Impacts roughly \$8 trillion of assets held by mutual funds

Complement with survey data to determine why

JDM Foundations

Framing effects: Responses to visual display

Categorical reasoning: Dependence on rank and categorical boundaries

Affect heuristic: Spillovers to risk judgments

Loewenstein et al., 2001; Lupyan, 2008, 2012; Pope and Simonsohn, 2011; Slovic et al., 1991, 2004, 2005, 2007; Tversky and Kahneman, 1992; Tversky and Simonson, 1993 + many more...

Morningstar Sustainability Ratings

Morningstar Sustainability

FMAGX

[More...](#)

Morningstar Sustainability Rating



Below Average

Category

Large Growth

Sustainability Mandate

No

Percent Rank in Category: 86

Sustainability Score: 43

Based on 96% of AUM

Sustainability Score as of 07/31/2017. Sustainability Rating as of 07/31/2017. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Sustainability Score. Sustainability Mandate information is derived from the fund prospectus.

Fund Flows 11 months post-ratings

Raw sustainability score and percentile rank
had insignificant impact on flows

	(1)
Sustainability Score	0.0744 (1.27)
Category Percent Rank	0.000983 (0.32)
<hr/>	
Diff: 5 Globe-1 Globe	
P-value: 5 Globe=1 Globe	
Cat by YM FE	Yes
Other Controls	No
R ²	0.0505
Observations	34106

Negative flows into 1 Globe -0.44% per month (~6% per year)
 Positive flows into 5 Globe of 0.30% per month (~4% per year)

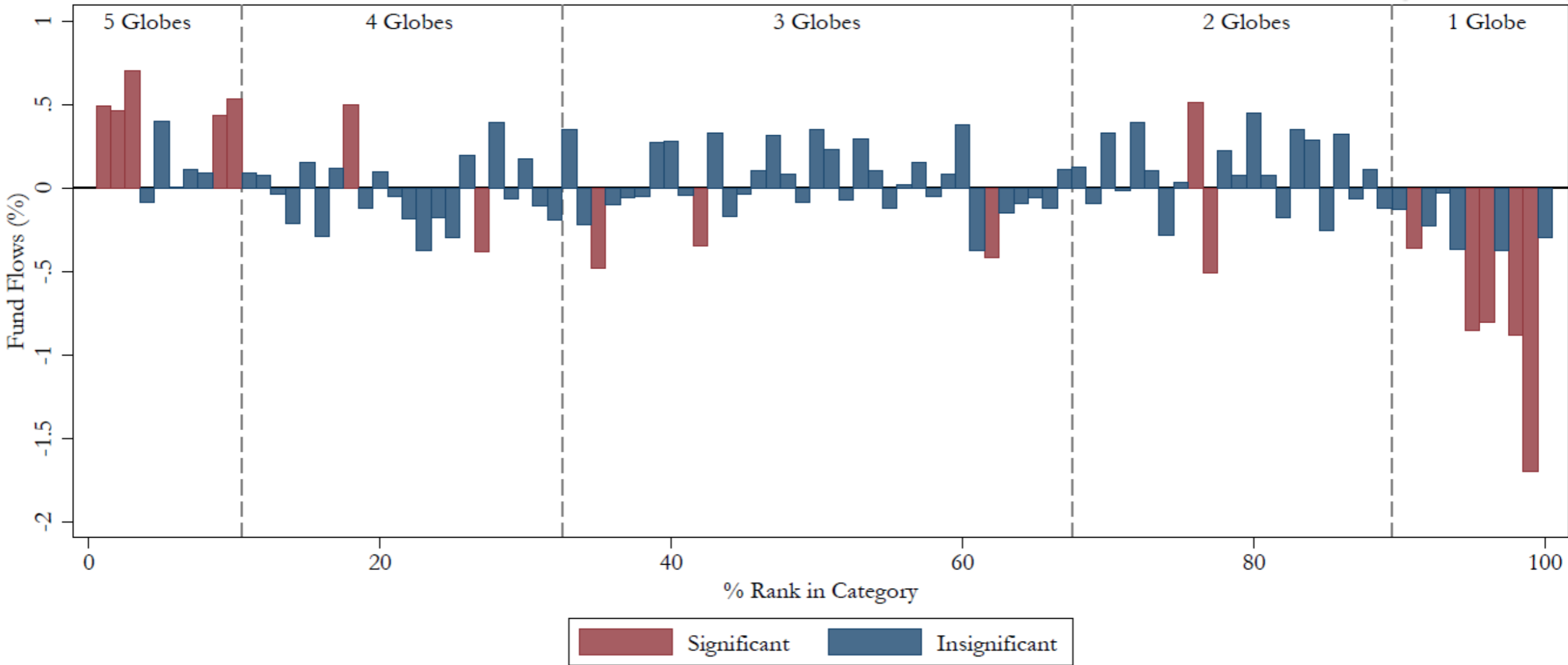
	(1)	(2)
Sustainability Score	0.0744 (1.27)	
Category Percent Rank	0.000983 (0.32)	
1 Globe		-0.441*** (-3.57)
2 Globes		0.0964 (1.17)
4 Globes		-0.0353 (-0.57)
5 Globes		0.297** (2.48)
Diff: 5 Globe-1 Globe		0.737
P-value: 5 Globe=1 Globe		0.000370
Cat by YM FE	Yes	Yes
Other Controls	No	No
R ²	0.0505	0.0513
Observations	34106	34106

Insignificant differences between 2, 3 and 4 Globes

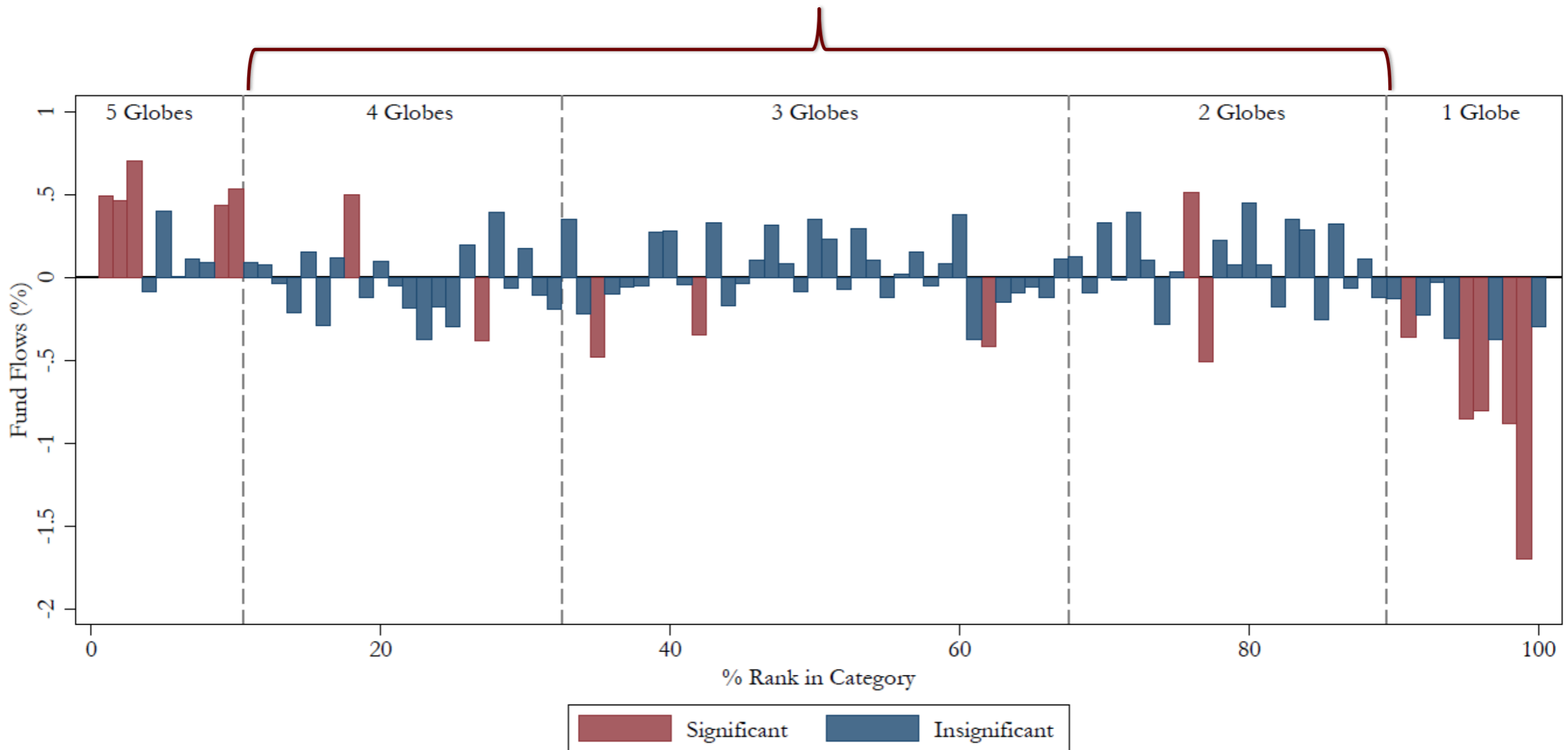
	(1)	(2)
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P-value: 5 Globe=1 Globe		0.000370
Cat by YM FE	Yes	Yes
Other Controls	No	No
R ²	0.0505	0.0513
Observations	34106	34106

1 globe funds received outflows

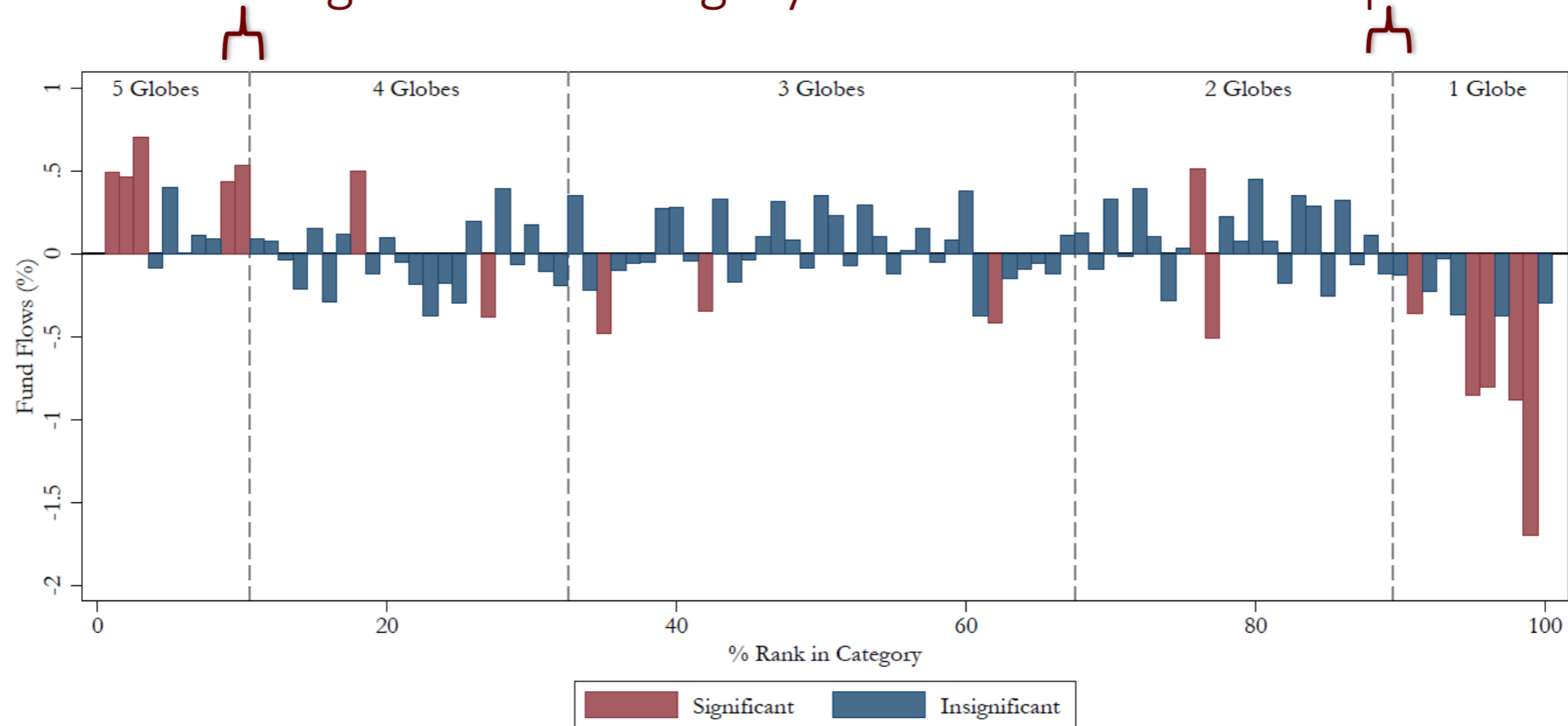
- 11/11 negative
- 5/11 significant at the 10% level



Inconsistent effects for 2, 3, and 4 globe funds



Formal tests of discontinuity consistent with discontinuities
 Running variable: category rank relative to break point



	1 Globe		5 Globes	
	(1)	(2)	(3)	(4)
Conventional	-0.427** (-2.40)	-0.366** (-2.26)	-0.727*** (-2.91)	-0.484** (-2.47)
Bias-corrected	-0.493*** (-2.77)	-0.442*** (-2.73)	-0.798*** (-3.19)	-0.555*** (-2.84)
Common Cutoff	Yes	No	Yes	No
Separate Cutoff	No	Yes	No	Yes
Observations	31668	31668	32241	32241

But why? An experiment

MBA students and Mturk participants rate hypothetical funds

3 similar funds with 1, 3, or 5 globes

Dependent Variables

Rate fund based on future performance (1 to 7)

Rate fund based on riskiness (1 to 7)

Allocate \$1,000 between fund and savings account

Vanguard PRIMECAP Inv VPMCX | ★★★★★

NAV **\$116.37** 1-Day Total Return **↑0.06%** TTM Yield 1.14% Load None Total Assets \$ 52.3 bil Expenses 0.39% Fee Level Low Turnover 6% Status Closed Min. Inv. \$ 3,000

USD | NAV as of 04 May 2017 | 1-Day Return as of 04 May 2017

30-Day SEC Yield 1.21% Category Large Growth Investment Style Large Growth

Growth of 10K VPMCX

05/05/2007 - 05/04/2017 Zoom: 1M 3M YTD 1Y 3Y 5Y 10Y Maximum Custom

XNAS:VPMCX: 25,298.09 USD Large Growth: 19,349.99 USD
S&P 500 TR USD: 19,687.43 USD



Morningstar Sustainability

Morningstar Sustainability Rating



High

Category

Large Growth

Sustainability Mandate

No

Percent Rank in Category: 1

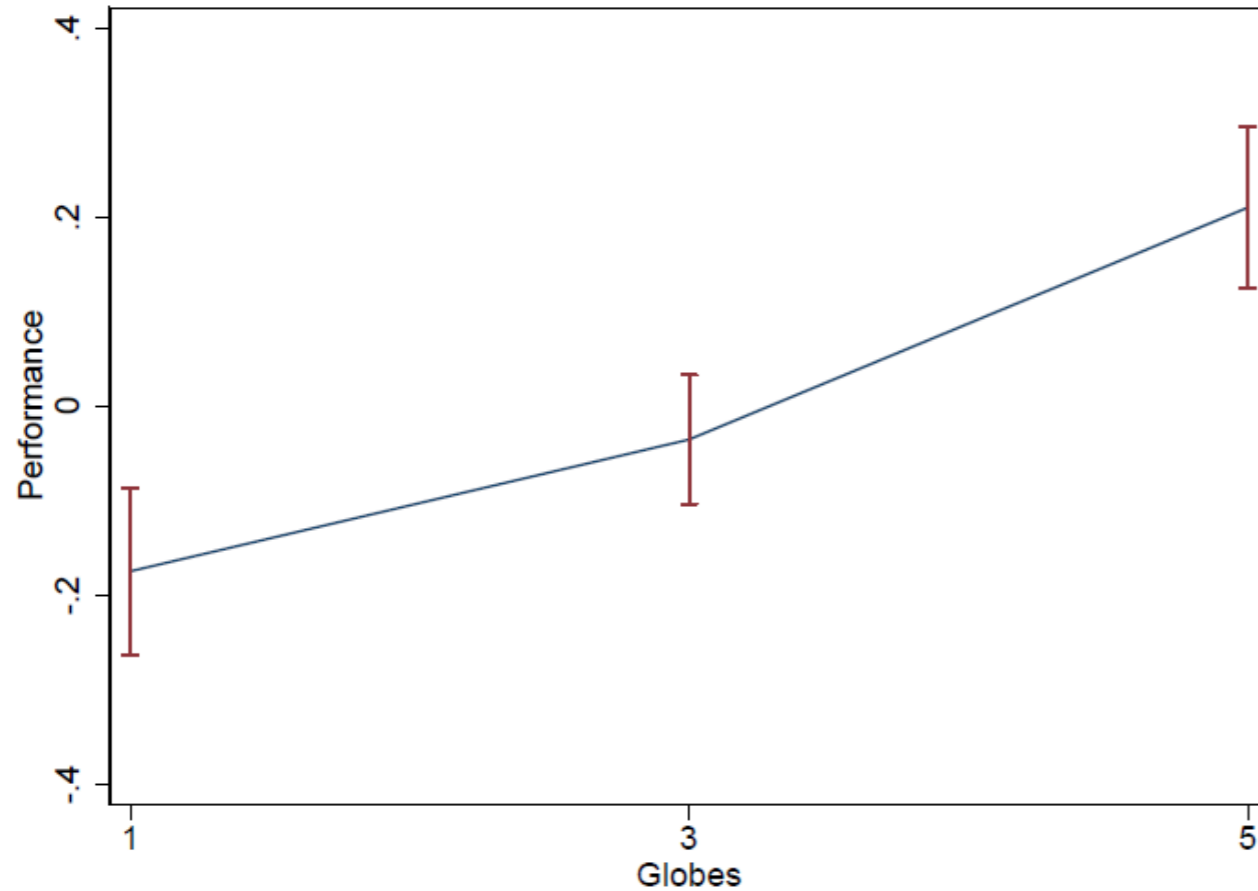
Sustainability Score: 51

Based on 95% of AUM

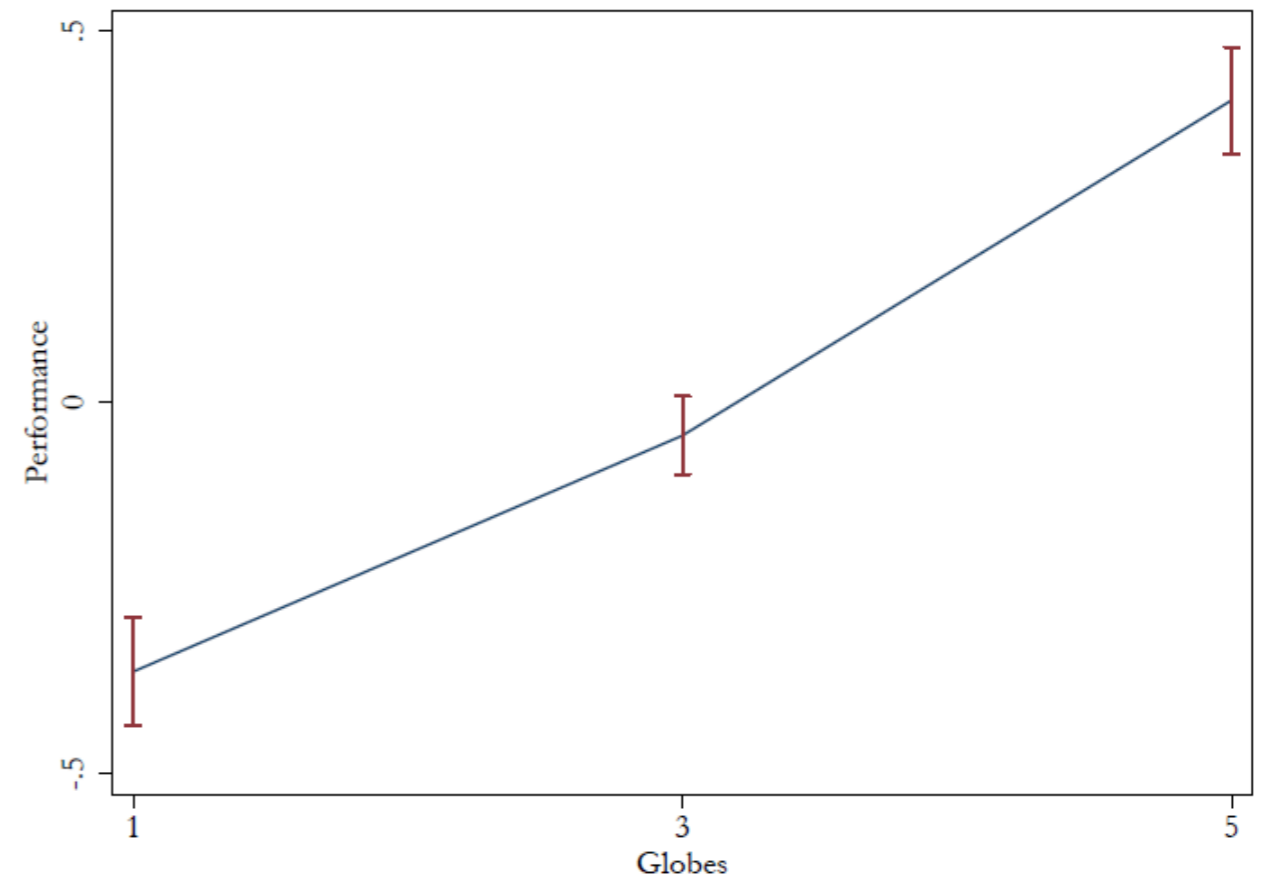
Sustainability Score as of 12/31/2016. Sustainability Rating as of 02/28/2017. Sustainability provides company-level analysis used in the calculation of Morningstar's Sustainability Score. This score provides a reliable, objective way to evaluate how investments are meeting environmental, social, and governance challenges.

Experiment: Performance Expectations

Panel A: MBA Students



Panel B: MTurk Subjects



How well do you think this mutual fund will perform over the next year?

1 extremely
poorly



2



3



4



5



6



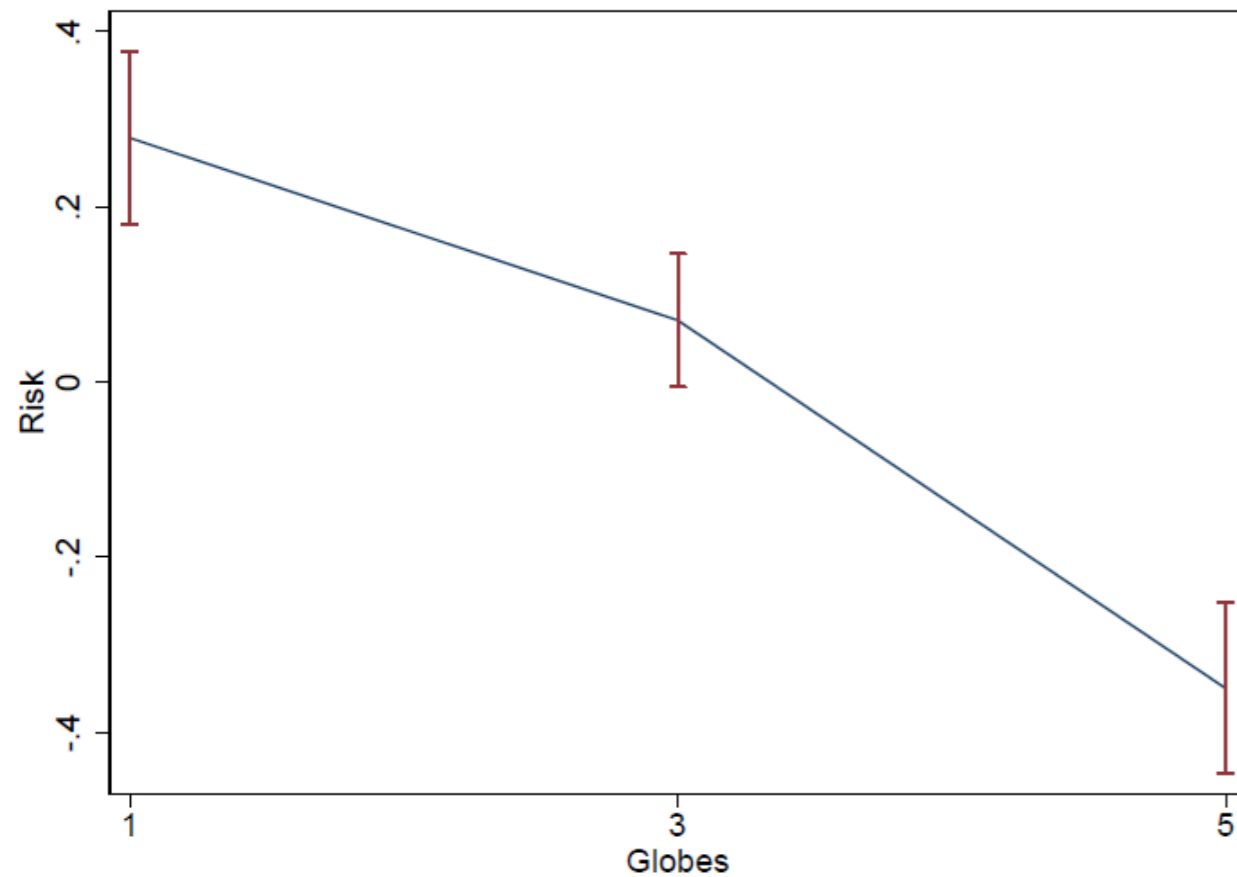
7 extremely
well



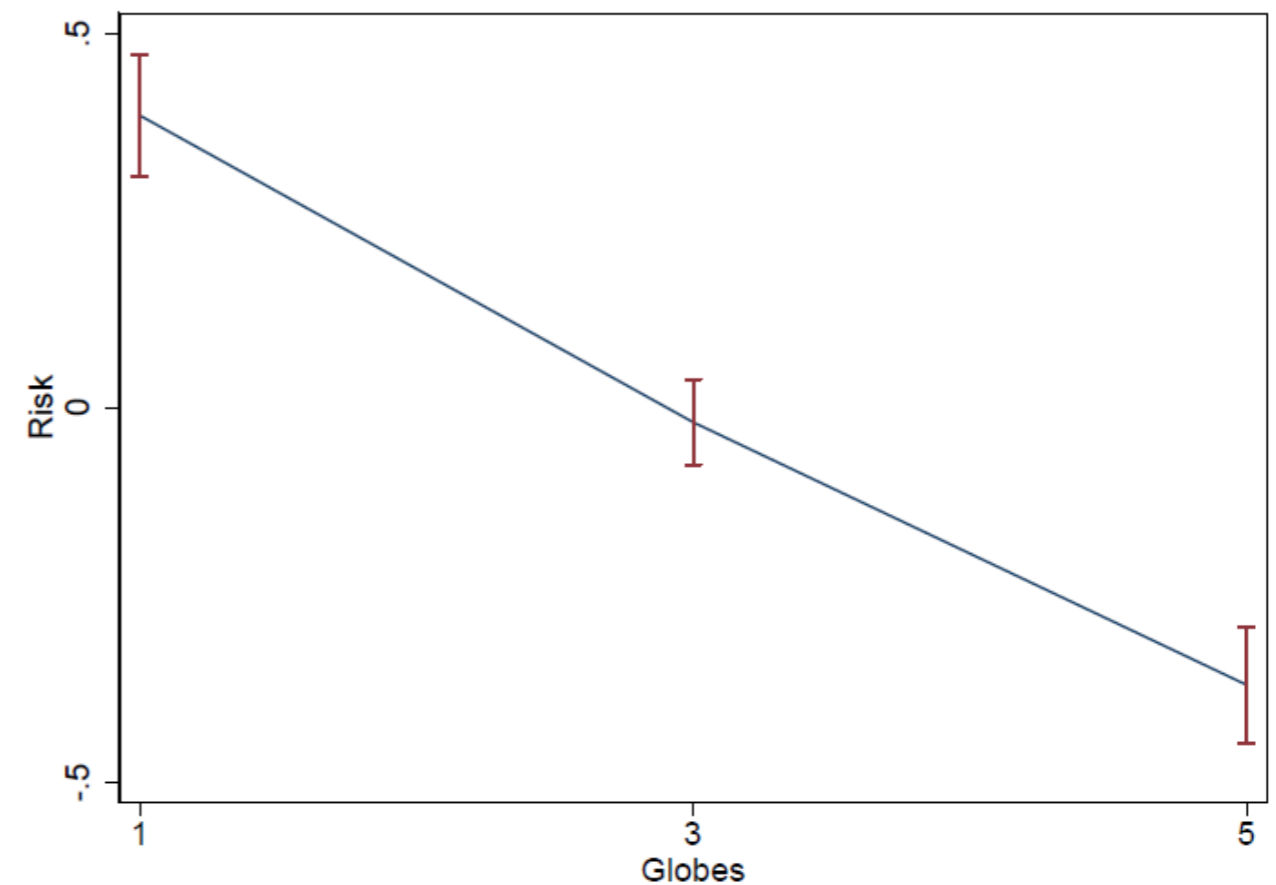
Experiment: Risk Expectations

Performance expectations not driven by belief in higher risk

Panel A: MBA Students



Panel B: MTurk Subjects



How risky do you consider an investment in this fund to be?

1-not at all risky

2

3

4

5

6

7-extremely risky

Allocations based on returns, risk and globes

Consistent with altruistic motives

MBA students allocate more to high sustainability and less to low sustainability controlling for expected performance and risk

Panel A: MBA Students

	All		
	(1)	(2)	(3)
Performance	75.14*** (5.44)		71.32*** (5.22)
Risk	-54.83*** (-4.60)		-49.73*** (-3.99)
1 Globe		-50.56** (-2.24)	-27.99 (-1.32)
5 Globes		57.36*** (2.78)	20.11 (1.00)
Diff: 5 Globe-1 Globe		107.9	48.10
P-value: 5 Globe=1 Globe		0.0000329	0.0485
Acct FE	Yes	Yes	Yes
R ²	0.767	0.718	0.770
Observations	807	807	807

Key Findings

Investors place a positive value on sustainability

Investors respond to the discrete rating system not underlying data

Categorization and visualization of information can have significant influence on market wide dynamics

Sustainability is viewed as a positive predictor of returns AND a negative predictor of risk

Consistent with affect heuristic

SJDM is Multi-Disciplinary

Synergies across fields

Research questions and methods from other areas

Diversity within SJDM membership

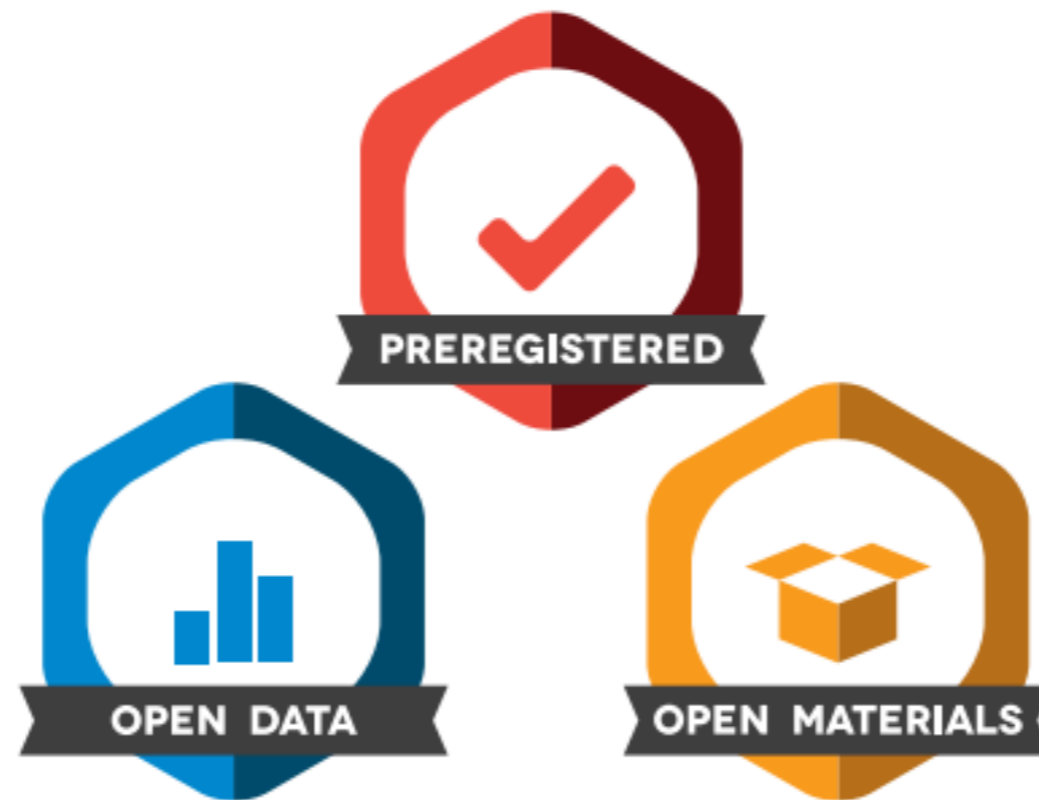
Today's Presentation

- Where we've been
- Impactful outcomes
- Broad disciplinary representation
- **Methodological rigor**

Methodological Rigor

Open science, data transparency

Self-replication



SJDM is Rigorous

Research transparency → others can replicate and build on your findings

Self-replications → YOU can understand and build on your findings

Takeaways

- **Core SJDM Topics: Risk, confidence, bias, accuracy, emotion, cognition, uncertainty**
- **Evolving SJDM Methods: Replication, pre-registration, field studies, machine learning**
- **Impactful outcomes: Learning across lab and field**
- **Multi- disciplinary: Learning through collaboration**
- **Methodological Rigor: Learning by testing for robustness**

Thank you!