

# MW86: Volkswirtschaftliches Seminar

## Overconfidence of Managers - a Behavioral Economics Perspective

### Spring Term 2021

#### **Instructor Information**

*Names:* Simon Schulten, Dennis Gottschlich and David Zeimentz  
*Email:* [Simon.Schulten@hhu.de](mailto:Simon.Schulten@hhu.de)

#### **First Meeting**

*Date:* May 4th  
*Time:* 4.30pm until 6.00pm  
*Classroom:* [WebEx](#)

#### **Presentation**

*Date:* June 25th  
*Time:* 10.30 am until 6.00 pm  
*Classroom:* tba

#### **Course Description**

In this seminar we will read and discuss the overconfidence literature. Specifically, we will focus on CEO overconfidence, rather than consumer overconfidence. Most papers in this seminar are empirical. The typical paper works as follows: A sample of CEOs is classified as either overconfident or non-overconfident and this dummy is then regressed on firm-level outcome variables, typically including fixed effects. There are also papers that deal with measurement of overconfidence in managers other than CEOs and theoretical papers.

In the first meeting we will give an brief overview of the topic, discuss questions and sort out all organisational issues. This meeting will be online in webex. If possible, we will have in-person presentations in June, otherwise that meeting will be online as well.

#### **Paper Presentation**

Each student will present a research paper in the field. The presentation

should use slides, and we expect you to send us a pdf copy of your slides. You will be graded on both, your presentation and quality of your slides. The presentation should last for 30 minutes. At the end of a presentation, we will have a discussion about shortcomings and achievements of the presented paper.

### **What is a good Presentation?**

A good presentation is one that others can follow and condenses the papers essential elements<sup>1</sup>. For an empirical paper, you need to explain the intuition behind the key regression in simple words. And please be extremely clear about how the authors identify an effect. In addition, your presentation should start with what the research question is, why it is important and a preview of the results. You should use one (at most two) slides for this. After outlining the paper you should discuss shortcomings, critical assumptions and limitations. At the end, you should have a slide with possible extensions or variations. Ideally, these are ideas one could pursue as potential master thesis topics. Use, as a rule of thumb, 2/3 of the time for the description of the paper and 1/3 for the evaluation and critique.

### **Term Paper**

Students need to hand in a term paper based on the paper they are presenting. We will be available to give you guidance on the term paper, and you can get additional ideas from the discussion following your presentation. The paper shall follow the usual formal guidelines and cover the same aspects as the presentation. However, make sure you add a literature review which does not solely rely on the paper at hand. As a reference I can recommend [these slides](#). Also here, dedicate a fair share of your term-paper on the evaluation of the paper and if possible develop ideas on how to improve the paper. We will value clearly structured, easy to read and precise texts over bloated ones. So, write as much as necessary but not more. Condense the paper to its essence and add your critical remarks. As a guidance we expect 9 pages  $\pm 2$ .

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<sup>1</sup>See for a reference [here](#).

## Course Objectives

After this course, you should be able to...

- ... understand and present research paper on the research frontier.
- ... critically evaluate a paper and present, and formulate your critique adequately.
- ... create a literature review.
- ... have an overview about the research frontier in mental health economics.

## Time Schedule

Please send a mail to [Simon.Schulten@hhu.de](mailto:Simon.Schulten@hhu.de) with your 1st and 2nd priority of papers for presentation from the list below. Alternatively, you can suggest a paper you want to discuss, or approach Simon and he will try to find a paper which fits your interest. The paper are allocated on a first come first serve basis and at the latest you will be notified on May 14th. Until June 25th you will be preparing your presentations and are free to contact Simon for supervision. After your presentation, you have additional two weeks to finalize your term-paper. We highly urge you to start writing before the presentation and use the remaining two weeks for additions only. Please note, in case you face any issues in meeting a deadline, please contact us immediately.

- First meeting: May 4th
- Deadline paper choice: May 9th
- Final paper allocation: May 14th
- Presentations: June 25th
- Deadline term paper: July 30th

## Topics and Literature

Malmendier, U., & Tate, G. (2008). Who makes acquisitions? ceo overconfidence and the market's reaction. *Journal of Financial Economics*, 89(1), 20–43. <https://doi.org/10.1016/j.jfineco.2007.07.002>

Malmendier, U., Pezone, V., & Zheng, H. (2019). *Managerial duties and managerial biases* (tech. rep.). [https://eml.berkeley.edu/~ulrike/Papers/overconfidence\\_27jun2019.pdf](https://eml.berkeley.edu/~ulrike/Papers/overconfidence_27jun2019.pdf)

Leng, J., Ozkan, A., Ozkan, N., & Trzeciakiewicz, A. (2021). Ceo overconfidence and the probability of corporate failure: Evidence from the united kingdom. *The European Journal of Finance*, 1–25

Graham, J. R., Harvey, C. R., & Puri, M. (2013). Managerial attitudes and corporate actions. *Journal of Financial Economics*, 109(1), 103–121. <https://doi.org/10.1016/j.jfineco.2013.01.010>

Deshmukh, S., Goel, A. M., & Howe, K. M. (2013). Ceo overconfidence and dividend policy. *Journal of Financial Intermediation*, 22(3), 440–463. <https://doi.org/10.1016/j.jfi.2013.02.003>

*together with*

David, I. B. (2011). Dividend policy decisions. *Behavioral Finance: Investors, Corporations, and Markets*. <https://doi.org/10.1002/9781118258415.ch23>

Banerjee, S., Humphery-Jenner, M., & Nanda, V. (2015). Restraining overconfident ceos through improved governance: Evidence from the sarbanes-oxley act. *Review of Financial Studies*, 28(10), 2812–2858. <https://doi.org/10.1093/rfs/hhv034>

Goel, A. M., & Thakor, A. V. (2008). Overconfidence, ceo selection, and corporate governance. *Journal of Finance*, 63(6), 2737–2784. <https://doi.org/10.1111/j.1540-6261.2008.01412.x>

Campbell, T. C., Gallmeyer, M., Johnson, S. A., Rutherford, J., & Stanley, B. W. (2011). Ceo optimism and forced turnover. *Journal of Financial Economics*, 101(3), 695–712. <https://doi.org/10.1016/j.jfineco.2011.03.004>

Ben-David, I., Graham, J. R., & Harvey, C. R. (2013). Managerial miscalibration. *Quarterly Journal of Economics*, 128(4), 1547–1584. <https://doi.org/10.1093/qje/qjt023>

*together with*

Glaser, M., Langer, T., & Weber, M. (2013). True overconfidence in interval estimates: Evidence based on a new measure of miscalibration. *Journal of Behavioral Decision Making*, 26(5), 405–417. <https://doi.org/10.1002/bdm.1773>

Hall, B. J., & Murphy, K. J. (2003). The trouble with stock options. *Journal of Economic Perspectives*, 17(3), 49–70. <https://doi.org/10.1257/089533003769204353>

Galasso, A., & Simcoe, T. S. (2011). Ceo overconfidence and innovation. *Management Science*, 57(8), 1469–1484. <https://doi.org/10.1287/mnsc.1110.1374>

Schrand, C. M., & Zechman, S. (2012). Executive overconfidence and the slippery slope to financial misreporting. *Journal of Accounting and Economics*, 53(1-2), 311–329. <https://doi.org/10.1016/j.jacceco.2011.09.001>

Benoît, J.-P., & Dubra, J. (2011). Apparent overconfidence. *Econometrica*, 79(5), 1591–1625. <https://doi.org/10.3982/ECTA8583>

Kaplan, S., Sorensen, M., & Zakolyukina, A. (2020). *What is ceo overconfidence? evidence from executive assessments* (NBER Working Paper No. 27853). Cambridge, MA, National Bureau of Economic Research. <https://doi.org/10.3386/w27853>

van den Steen, E. (2004). Rational overoptimism (and other biases). *American Economic Review*, 94(4), 1141–1151. <https://doi.org/10.1257/0002828042002697>

## Students with Disabilities

DICE values diversity and inclusion; we are committed to a climate of mutual respect and full participation. Our goal as your instructors is to create a learning environments that are useable, equitable, inclusive and welcoming. If there are aspects of the instruction or design of this course that result in barriers to your inclusion or accurate assessment or achievement, we invite you to meet with us to discuss additional strategies beyond accommodations that may be helpful to your success.

If you believe that you need accommodations for a disability, please contact the [Office of Commissioner for Students with Disabilities](#) or the [Beratungsstelle der Beauftragten für Studierende mit Behinderung oder chronischer Erkrankung \(BBST\)](#). They are responsible for coordinating physical and mental disability-related issues.

## Counseling Services

If at any point during the semester, you feel overwhelmed with your class work, feel thoughts of depression/suicide, experience sexual assault/rape, experience problems with substance abuse or relationship abuse, or have any other struggles with physical/mental health, ***please seek help!*** The [Counseling Center Services](#) and [BBST](#) at Heinrich-Heine University are resources offering assistance with any issue you might have - both individually and through group sessions. There is ***never*** any shame in seeking help. If you or someone you know is struggling with any of these issues, speak out!