

MW86: Financial Advice

Motivation

Because financial products and investment decisions are often complex, consumers often rely on financial advisors. However, these intermediaries' incentives do not necessarily align with customers' incentives, particularly in the presence of commissions and kickbacks. In this course, we will study the problems and trade-offs that may arise under such circumstances as well as how to potentially solve or regulate them. Moreover, we will have a look at how financial professionals' characteristics compare to those of the general population.

The majority of available papers in this course are theoretical but there are also a few experimental ones.

Prerequisites

Some knowledge of game theory is helpful. For empirical/experimental papers (if chosen), one should also have a basic understanding of econometrics.

Examination

Seminar paper (10-12 pages) and presentation (20-25 minutes plus discussion)

Language

Whereas English is encouraged, students may prepare their paper and/or presentation in German as well.

Topics

- Gill, A., M. Heinz, H. Schumacher, and M. Sutter (forthcoming). Social preferences of young professionals and the financial industry. *Management Science*.
- Holmen, M., F. Holzmeister, M. Kirchler, M. Stefan, and E. Wengström (2021). Economic preferences and personality traits among finance professionals and the general population. *Working Paper*.
- Inderst, R. and M. Ottaviani (2009). Misselling through agents. *American Economic Review* 99, 883–908.
- Inderst, R. and M. Ottaviani (2012a). Competition through commissions and kickbacks. *American Economic Review* 102, 780–809.
- Inderst, R. and M. Ottaviani (2012b). Financial advice. *Journal of Economic Literature* 50, 494–512.
- Inderst, R. and M. Ottaviani (2012c). How (not) to pay for advice: A framework for consumer financial protection. *Journal of Financial Economics* 105, 393–411.
- Inderst, R. and M. Ottaviani (2013). Sales talk, cancellation terms and the role of consumer protection. *Review of Economic Studies* 80(3), 1002–1026.
- Karakoç, G., M. Pagnozzi, S. Piccolo, and G. W. Puopolo (2020). Information acquisition and financial advice. *Working Paper*.
- Kashyap, A. K. and N. Kovrijnykh (2016). Who should pay for credit ratings and how? *The Review of Financial Studies* 29(2), 420–456.

Mullainathan, S., M. Noeth, and A. Schoar (2012). The market for financial advice: An audit study. *Working Paper*.

There is going to be a brief overview of the content of this and some other seminars in room S5 of the Oeconomicum on April 26, 12:30-14:00. Attendance is voluntary.

Registration

There seem to be issues with the online registration, so please send me an email including your matriculation number to sign up for the course.

Contact

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Please let me know if you have any questions, comments, or suggestions.