

PROPOSAL: OPTIMISM FOR ECONOMISTS

**Cade Massey, Assistant Professor
Yale School of Management**

As part of a broader movement in behavioral economics and finance, there is increasing interest in the role of optimism in economic decisions. For example, recent work has used optimism to explain asset prices, trading behavior, and managerial decisions. However, these models are often only weakly informed by psychological research on optimism. While incorporating optimism into economic models is a promising approach, to do so naively fails to exploit psychological insights, limiting the explanatory power of these new models. It also limits the ability of economics research to test psychological theory.

One of the reasons economic models of optimism are naïve is that psychological research on optimism is so extensive and diverse. There are decades of research on the issue, and subfields of psychology – social, cognitive and health – approach it quite differently. The objective of this project is to review this research for economists. We hope to distill this broad field in a way that is psychologically informed but economically useful. This means we will be looking at this research with an economist's interest in, for example, incentives, outcomes and learning.

The research assistant will work primarily on the literature review for this project, gathering, organizing, coding and summarizing research articles on optimism. The project will be particularly useful for a student with interests in both psychology and economics. Experience with Excel required. Experience with experimental research very helpful. Experience with Stata a plus.

Note: Joint with David Robinson, Assistant Professor of Finance, Duke University.