

Abstract

We design, field and exploit novel survey data, from a representative sample of the French population to provide insights regarding two channels via which social interactions may generally affect financial decisions. The first is a pure information effect, which arises solely from communicating and disseminating information to and from friends and acquaintances. The second is an imitation effect, broadly understood as social norm effects, fads, etc. Both effects are positive, sizeable and significant: the more informed about the stock market members of respondents' social circles are, the higher the share of respondents' financial wealth that is invested in the stock market. The same effect is found for more members of respondents' circles participating in the stock market. In the latter case however, we only find evidence of selective imitation (observational learning), by identifying a positive and significant effect coming only from a subset of respondents' social circle with whom respondents interact regarding financial matters. These findings indicate that informative social interactions are important for stock market financial behaviour and may help in overcoming financial literacy limitations.

Dissemination activity

Preliminary results from the research project were presented at (i) the Macroeconomics Workshop at the Faculty of Economics, Cambridge (May 2016), (ii) the 3rd CERF Cavalcade (May 2016) (iii) the BCAM Workshop 2016 (May 2016), (iv) the Keynes Fund research day (June 2016) and (v) the SED annual meeting (June 2016).