Progress Report

Shiqi Chen

April 2018

In the past few months, I started my first research project with my supervisor Prof Bart Lambrecht, which will be part of my thesis. We are working on a dynamic continuous-time multiple-agents model with heterogeneous risk aversion. The project focuses on how heterogeneity in risk attitudes could potentially affect consumption share and the investment decisions. Firstly, we find that the investment pattern in multi-agents setting are indeed quite different from what has been documents in a single representative agent framework. The divergence in risk aversion drives the investment decision away from constant. Secondly, we find that in two-agents case, the consumption ratio depends on the relative risk ratio. The more risk averse agent captures the upside while the less risk averse agent gains more on the downside. Thirdly, we further analyse how different length of tenure could further affect the findings. It turns out that change in tenure could affect the agent's time discount factor and thereby changing their consumption and the firm investment decision. The preliminary results so far show that picture in multi-decision makers environment are indeed quite different from those shown in the single representative agent model. The project yields insights of how teams or groups make financial decisions and how internal heterogeneity leads to different behavioural patterns.

However, further examination is needed to gain more valuable insights of the interaction among heterogeneous agents. We will continue to work on this project to examine further the implication of our models. Potential work directions: (1) examine the implication in corporate governance through looking at role of risk aversion in compensation determination (2) look at whether time discount factors heterogeneity could add new dimension to the project.

Apart from academic research work, I also engaged in TA work in the first term. I was the TA for MFin course Principle of Finance and ran 4 session of workshops. I achieved a teaching assessment grade of 4.6/5.