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Ambiguity Attitudes for Real-World Sources:

Field Evidence from a Large Sample of Investors

(Discussion)

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- **Measure:** Baillon et al. (2018b)

  - **Index B:** Preferences toward ambiguity (Ambiguity Aversion / Neutral / Seeking)

  - **Index A:** Perceived levels of ambiguity (A-insentivity)

- **Type:** Replication with extension study, using real world data

- **Representative sample:** 295 Dutch investors in the De Nederlandse Bank (DNB) Household Survey (DHS)

- **How:** Purpose-built survey module / Real incentives

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• Main findings and Implications:

Index B (Ambiguity aversion):

- **Highly correlated for different assets**

- Individual characteristics explain 28% of the variation in ambiguity aversion → **Personality trait**

- Result **confirms** that ambiguity aversion is **not universal**: Ambiguity averse (58%) / neutral (12%) / seeking (30%)

- Ambiguity aversion is **not significantly correlated** with Financial literacy level and Education

    - **No intervention needed**

Index A (Perceived ambiguity):

- **Varies between assets**

    - Familiar company stock (e.g., Philips)

    - Local stock index (AEX)

    - Foreign stock index (MSCI)

    - Bitcoin

- Perceived ambiguity is **significantly correlated** with Financial literacy level and Education

    - Lower perceived ambiguity → Invest more

    - **Lead to policy recommendation to intervene financial literacy level**

1) Baillon et al. (2018b):

- Further applications and critical examinations of this method concerning its validity are still needed (Bühren et al., 2022)

- **Time pressure:** affects cognitive components (sensitivity/understanding, or level of ambiguity), but not motivational components (ambiguity aversion)

- **Learning effect**

2) Financial literacy / Education / Training intervention:

- **Correlation:** Yes! Financial literacy has a positive link with financial behaviour (Lusardi & Mitchell, 2007(a); Lusardi & Mitchell, 2007(b); Lusardi & Mitchell, 2011; van Rooij et al., 2012; Hastings et al., 2013)

- **Causation:** But, financial education intervention have been largely ineffective (Fernandes et al., 2014)

  - Limited effect size and a short-lived impact of financial education on financial behaviour (Barcellos et al., 2016; Kaiser & Menkhoff, 2017; Beshears et al., 2018; Barua et al., 2018; Bruhn et al., 2018)

3) Policy recommendation:

- **Financial literacy Training** → lower perceived ambiguity → increase participation in the market?

- Unclear probabilities available?