THE NEW BAZAAR

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EPISODE 19: HOW WE CHOOSE

THE SURPRISING CAUSES OF OUR INVESTMENT BEHAVIOR

CARDIFF GARCIA: Hi, I'm Cardiff Garcia. And this is The New Bazaar. Coming up on today's show.

VICKI BOGAN: I think there are a lot of aspects of household structure and sort of your mental state that influence your household decision making in a way that people don't anticipate, don't quite understand, or, you know, isn't obvious.

CG: Vicki Bogan explains how we decide.

Vicki Bogan is an economist who specializes in financial economics, household finance, and behavioral finance. And that's all a way of saying that she's a specialist in how people choose, and specifically how they make investment decisions, whether to invest in the stock market or the bond market and how much, and other kinds of investing too, like whether to go to graduate school, which is a kind of investment. And I have found her work to be quite revelatory because the things she's found that influence our investment decisions are often things that we don't really consider, like the kinds of households we live in, our health, even things like the gender of our children. And I especially love that in a few of her papers, a few of her experiments, the results of her work ended up overturning her own expectations. The results surprised her as you'll hear in the chat.

And that is the kind of economist, the kind of social scientist who I trust the most. An economist whose findings are unpredictable because it means that she's following the data wherever it leads. She hasn't designed the research just to confirm what she already believes. She's interested in figuring out what is really going on, not how people should make choices, but how they actually do make choices. So I invited Vicki on the show and one by one, we just kind of went through the findings of some of her fascinating papers in her body of work, on how people make investment decisions. It was a great chat, here it is.

CG: Vicki Bogan, Welcome to the The New Bazaar.

VB: Well, thank you for inviting me.

CG: So, let's start with a paper of yours titled, “Business Cycles, Race, and Investment in Graduate Education”. This was a fascinating paper. You find something quite intriguing, which is that people are more likely to enroll in graduate school when the economy is not doing as well, effectively, because it means that there's a lower opportunity cost to going to graduate school. So to explain this to our listeners, when the economy's going great, you know, wages are going up, you can get a great job. It's easier to get a great job and so you might not enroll in graduate school because you have this kind of attractive employment option. Well, of course, when those options start to go away in a recession, or just when the economy's sluggish, you're more likely to enroll in graduate school. That part of it, I think, is fairly intuitive once it's pointed out. But you also found that this effect did differ by race and ethnicity. So can you kind of take us through the findings? How does it differ?

VB: So, you explained it brilliantly, so thank you for that. And so this paper is really focusing on, you know, I do a lot of work in investments and this is a type of investment. It's an investment in your own human capital. And so this is a household decision as to whether or not you go to graduate school. And as you said, you wanna, this is graduate school, not just college. So these are individuals that we looked at in the study where people that already had a college degree, and this was their decision, whether they wanted to pursue an MBA or some other type of, you know, a PhD or some other type of graduate program. And oftentimes it's hard to leave your job or quit your job, take a new type of position to give you the time to pursue graduate education.

That's harder to do when you, you know, like you said, wages are going up and you're making a good salary. It's easier to do when, as economists, what we say, the opportunity cost is low. And so, you know, maybe I got laid off because there's an economic downturn. This is a great time to go back to school and enhance my human capital. And so if you are giving up less, your opportunity cost is lower and so it's easier to go back to graduate school. We looked at this kind of effect, uh, within racial group. And what we found is that this whole, you know, effect of going back to graduate school and the economy goes down, is greater, for certain underrepresented minority groups. And what we conclude is that this is, um, pretty strong suggestive evidence that the opportunity costs for, uh, certain underrepresented minority groups are lower and correspondingly we, uh, say that this is suggestive of labor market types of discrimination, which is evident in a lot of the statistics.

Like we know that unemployment rates for underrepresented minorities are usually always higher than for whites, for example. But during times of economic difficulty, we know that certain, uh, underrepresented minority groups disproportionately suffer. And so in, you know, an economic downturn, unemployment rates are gonna go up across the board, but they go up by a larger percentage or a greater number of percentage points for blacks and Latinos, for example. And so in this paper, we're able to show that this effect of, kind of the magnitude of the effects of the business cycle on graduate school enrollment is greater for, uh, particular underrepresented minority groups.

CG: Yeah, this is such an intriguing way to think about it. Let me, let me see if I can, uh, if I can summarize that. We know as you said, that when there's a downturn, when there's a recession that, um, you know, in particular African American and Hispanic workers end up having their unemployment rates shoot up by more, for example, than for white workers. In other words, things get worse, uh, at an even faster pace and at a steeper incline for African American and Hispanic workers. And because of that, this effect of African American and Hispanic workers choosing to go to graduate school in a downturn is greater than it is for white workers, precisely because the labor market ends up getting worse so much more for them than for white workers. Is that, is that about right?

VB: Exactly right.

CG: Yeah. And I, I guess this is also intriguing because I think a lot of people regard graduate school as like this very sober decision that people make of like, "Wow, this is what I want for my long term future, so I'll make this investment in education, in my human capital now. And that'll set me up for, you know, 30 or 40 years of having this degree and therefore being so much more competitive in the labor market in the, the future." But actually what you're pointing out here is that it's also quite subject to short term conditions to the conditions that face us over the next few years. And I, I just thought that this was an interesting thing to point out, as you said, we shouldn't think of all this stuff, you know, as, as a theoretical construct. You're trying to study empirically what actually happens.

And what actually happens is that people sometimes make these investments in their education because of short term considerations and not because, or not exclusively because they think it's the best thing for them, for decades down the line. There actually are a lot of people here who presumably then would prefer to keep working to stay in the labor market. They just don't because the labor market itself is undergoing a bad period.

VB: Yeah, that's exactly right. And you know, one of the places where you see this the most is actually as a college professor, right? And so I've been at Cornell for quite a few years and we've been through a lot of, um, you know, ups and downs with the business cycle. And when the economy tightens up, a lot of my students are, "Well, I think I might go to grad school. Can you write me a recommendation for graduate school? Because it's, it becomes much more difficult to find a job. And so in the short term, it's, it's a great option.

CG: Yeah. It's just, it there's something, I don't know. There's something a little bit sad about this, right? Like you, you think of, of graduate schools, like, yes, like go do this, it's a huge commitment by the way, costs a ton of money, not just a, a commitment of a few years of your time to set you up, you know, for later it's, it's hugely expensive, but people are doing it sometimes for precisely the reason that you gave, which is like, well, I'd love to have a job and a job that pays me well, but the labor market sucks, so I'll just go do this other thing instead.

It's, uh, it's not like an idealistic way of understanding this, but it does seem to me and your research confirms it in a more realistic way of understanding how people make those decisions. Sometimes it's not really because they had a choice or they did have a choice, but it was within a more constrained environment of choices. It wasn't because they looked at like a whole landscape of great opportunities and they chose this one as the best one for them. It's because it was the best one for them in a kind of worsening environment that was constraining their other choices, you know?

VB: Yeah, so it's, it's really the exact opposite of what I did. You know, I chose to go back to graduate school when the economy was going well. My parents were like, "You're, you're quitting your job? What are you doing? You can get a job now.

CG: What are you doing?!

VB: And I said, trust me, I know what I'm doing. And it worked out for me, uh, luckily.

CG: Yeah. Let's talk now about some other kinds of decisions that households make when it comes to investing and specifically what influences their investing decisions. You have one paper that has the appetizing title of “Household Asset Allocation, Offspring Education, and the Sandwich Generation”. And the sandwich generation, by the way, uh, refers to people who have both children that they have to, you know, take care of, that they're financially responsible for and elderly dependents. So, you know, typically parents or older relatives, uh, who rely on them financially and so that's why they're this sandwich generation in the middle.

I presume a lot of these people are right around middle age, you know, give or take five or 10, um, and how that affects their likelihood of investing in the stock market and in other things. So, uh, can you kind of just take us through the findings there, why things are, are so tough for this sandwich generation?

VB: Yeah, well, it's a, it's a precarious position to be in when you think about a household, right? So you are kind of your primary household. You have children that may be in college or approaching college age, and you might have parents that you need and want to take care of and make sure they're okay. And so it's important as we, uh, approach a kind of point in time where a larger percentage of our population is in that particular situation, where you have kids that you need to save for their college, you have to save for your own retirement, especially if you don't have access to a defined benefit plan, you, if you only have a 401(k), you need to be saving for your own retirement. And you also have parents that you may have to save, and we need to understand how households are making those choices.

In some ways, it, you know, it's a zero sum game. You have a fixed amount of money. How are you allocating funds given this is the situation that you have? And I think it's really important for us to understand how people are making decisions so you can start to frame and understand the policy implications. And so in that paper that you mentioned, I find evidence that having an elderly person in your household, um, decreases the probability of risky asset holding by, you know, like over 11 percentage points. It also decreases college savings for your children, um, by a few percentage points. And you know, it may not sound like that's a big deal, but think about the implications for that. What that means is that you're at a point where you're trying to develop wealth for yourself and also your offspring, but you're doing exactly what you shouldn't be doing for the purposes of wealth building, right?

If you wanna build wealth, one of the best ways to do that is to invest in financial markets and invest some of your portfolio and risky assets. That's a means in a vehicle to generate wealth. Uh, but now you're in a situation where you don't do that as much because you have other kinds of obligations. You also don't have the capacity to invest as much. And these are, we looked at tax advantage accounts like 529 type of college savings accounts. And we found that households don't invest as much in these tax advantage college savings accounts for their children. And, and so this situation is having wealth implications across generations, right? Because you, you have to take care of one generation and their implications for your wealth building. That's gonna affect your offspring and also implications for your investment in your offspring's human capital accumulation, so their ability to get a college degree.

And so this to me shows the critical linkages between systems like social security, which should be there to protect people in retirement age, that is often lacking and financial aid for people to pay for their college education. And so you might not think those two issues are connected, but they are connected through this sandwich generation and the choices that households are having to make in this time period.

CG: Yeah. When you're in the sandwich generation, that is when you're supposed to be saving your money. Because of course, it's when you're probably close to peak earnings, you know, in middle age, it's when, you know, you're sort of on the home stretch, uh, the last couple of decades before you retire, and ideally by then, you know, you're paying down your house, you're saving for retirement. You know, hopefully you can, you can get your kids through college. And in fact, you write in this paper that having any elderly dependence decreases the probability of both stockholding and college savings by twice as much poor personal health.

In other words, from a financial standpoint, it is actually twice as bad to have an elderly dependent, you know, a parent that you're financially responsible for or another relative as having bad health. Uh, that was a, a stunning line I gotta say.

VB: Yeah, and, and the, the, the thing about it is, is it's not saying that you shouldn't take care of your parents. It's saying we need to think more broadly about the system and the mechanisms for taking care of people in retirement. And these are really significantly difficult choices that people are having to make. And, um, you're doing the best you can, but it's, it it's really quite difficult. And one other point that I, I would make is that in this study, in the analysis, I'm looking at elderly dependents that are actually living in the household. And so I would argue that this is a lower bound on the effect because I would submit that there are a lot of households in the sandwich generation that may not have, um, an elderly parent living with them, but they still provide financial support. And so to the extent that we only quantify this in the context of elderly dependents that are actually living in the household, the effects that we find in the paper are really the lower bound.

CG: Got it. I want to ask about another fascinating paper about how households choose to invest or, or how they are constrained in terms of their investment decisions. And this one has to do with the gender of their children. In other words, how parents end up investing based on the genders of their kids. And there's a lot of probabilities, uh, thrown around in the paper. So I'm just gonna take a shot at summarizing this first and, and then, and then ask you about the implications. So in some, you found first that married couples who have only female kids increased the likelihood of holding stock, of investing in the stock market.

You also found that for single mothers and single fathers who have only female kids, they did not change their stock holdings based on the fact that they have only female kids. So this was something that happened for married couples. Uh, and then you also found third that single moms with only male children did increase their stock holdings. So these are all just intriguing results, but, uh, let me start first with the married couples, the ones who increase the likelihood of holding stocks based on the fact that they have only female kids, uh, what is going on?

VB: So let me start off by saying the results that I found were exactly opposite to the results that I anticipated. So this completely went against my prior. So I started this research thinking about some other work that looked at how Congresspeople voted and found that Congresspeople voted more liberally on issues if they had female children. And so it got me to thinking, hmm, maybe the gender of your children can affect other types of decisions. And since I'm interested in investment decisions, I wanted to look at the gender of children and how it affected investment decisions. What I thought was that, you know, we know that women are often more risk averse than men in the financial decision making context. So I thought, well, if women are more risk averse than men in the financial decision making context, maybe having female children will make you more risk averse in the investment context.

But I found in the data exactly the opposite that for married households, having only female children meant that the households engaged in more risk taking, which I found really, it was surprising to me and really interesting. And so that was the basis of the study. There have been a lot of suggestions after this paper came out as to why that could be the case. One of the interesting sort of offhanded comments that's made frequently actually is that, "Oh, well, I get it, they're trying to earn a high return to pay for the wedding." And so, um, and perhaps there might be something to that in that maybe households feel as if they're gonna be more financially responsible for female children than they are for male children, I don't know. This is just, um, uh, a

CG: A hypothesis, right? These are all just speculative ideas.

VB: This is, uh, a conjecture based, based on what the data say, but it's worth, um, further exploration as to, you know, what exactly it's the mechanism that causes that to happen. But I, I think it's a pretty interesting fact to uncover.

CG: I will confess to you that I had also a kind of perhaps cynical conjecture here. Um, although one that, uh, might also be based on kind of outdated stereotypes, I don't know, but my, my reaction was, I wonder if, if, because these married couples had only female kids, um, they were more comfortable taking risk in the stock market because if those risks didn't pan out, they believed that their female kids would grow up to be more likely to take care of them in old age, rather than, uh, if they had all male children, you know what I mean? That essentially this was like, uh, they regarded their female children as being-

VB: More insurance.

CG: ... More, more, more like insurance, you know, for old age than if they had male kids, which again, that, that, my own conjecture, but also if this is actually the case, if this, if this is actually to be proved true someday would also be based on perhaps outdated stereotypes of the likelihood of children of different gender to grow up, to be more likely to care for their older parents. Um, but that was the thought that came to mind. Yeah.

VB: Yeah. So I, it's not clear what the mechanism is. It's just clear what the finding and I have to admit that the finding was inconsistent with my prior. Um, but that's why you do research. You have a prior and you test it. And so I think it would be interesting to, to explore it a little further, to try to understand, I think it, it would require sort of more survey data and actually these surveying people. The reason, just to note, the reason that the reason that I did the analysis. So we looked at households that had only female children or only male children is because y-you, you need to separate the confounds, right? If you have a household with both male and female children, then you really don't know what's going on. Um, and you have to look kind of in the extreme situation where you have all female children or all male children to really understand, uh what's, you know, the connection, uh, with the investment decision making behavior.

CG: Yeah. Although it's worth noting that for single mothers who had only male children, they were the ones who increased stock holding. So they were the ones with less risk aversion when they had only male children.

VB: Well, you know, that is additional support for the theory that you just proposed, right? If you, you know, you started with the premise, which I had not considered, that married households believe that, you know, female children are more of an insurance policy and more likely to take care of them. So they're more comfortable taking risks because if things go badly, then they'll have a backup plan. Uh, that might be a similar situation with a, a single mother with a male child, uh, that might feel more comfortable that, you know, her son would, um, be more likely to take care of her if something went bad. But again, uh, a complete guess, but that stylized fact is consistent with sort of the story that you just told.

CG: Yeah, yeah. And with respect to children, uh, you have another paper, this one co-authored with Jose Fernandez. It's titled, "How Children with Mental Disabilities Affect Household Investment Decisions". And here you found that households who have special needs kids end up investing more of their wealth in riskier assets. So just to set the stage here for, you know, for listeners, um, riskier assets would be like, stocks are more risky than, you know, bonds or treasuries, that kind of thing. Uh, so yeah. So what-what's going on in this paper?

VB: Uh, so we started looking at this paper because when you're thinking about the household decision making process, uh, if you have a special needs child, it's a pretty complicated sort of mental calculus to try to go through. So do I, I, I have a situation where I may have to take care of this child well into their adult life. And so, you know, the open question is, how do households negotiate that and how do households manage it? Do they pay a lot more upfront for, you know, services and care to enable their offspring to develop the skills so they can take care of themselves in adult life, or do they more so invest aggressively so that they can have the ability take care of their children in their adult life? And so it was really just an open question where we didn't have a prior for this, we wanted to see what was going on.

Um, what we found, uh, was, was pretty interesting in the sense that we found that households that have a child with, uh, mental disability in general have a decreased probability of, you know, investing in risky assets. So they're less likely to invest in kind of stocks and mutual funds, but conditional on investing at all, Um, those households that have a child with a, with special needs that do invest in risky assets, they have a larger percentage of their financial wealth in those risky assets. And so it's a very interesting sort of nuanced sort of approach that we see that households take, right? In general, if you have a special needs child, you're less likely to do it, but if you are doing it, you do it big. And so that's interesting.

CG: Yeah. There's like a, there's like a very stark kind of split there. I guess I was the, the question that brought to mind for me was whether having a child with mental disabilities just meant that you also had to spend more money to care for the child, which meant that you might have less money left over to invest. But if you did have some money left over to invest, then as you said, you might be more likely to invest in riskier assets, you know, hoping to make more money over time, perhaps because you're anticipating that you'll need a little bit more money any later on. Um, but again, I, I guess some of these other considerations are a little bit more speculative.

VB: That's exactly what we, the conclusion that we came to.

CG: Oh, it is? Okay.

VB: You probably have, you know, more expenses, um, don't have the, um, capacity to invest in riskier assets or, you know, engage with the markets to the same degree. Um, but if you do, if you've kind of passed that threshold, then you do it in a big way. And it's probably in anticipation of needing more funds to, you know, finance, um, the expenses for the child in adulthood.

CG: Yeah.

CG: Vicki, the next paper I wanna ask you about is one that's about immigrant households in the United States and how their investment behavior varies by the country of origin that they came from, uh, the country of origin of those immigrants. And this is interesting because what you found is that how immigrants invest tends to be based on whether or not the country they moved here from has a lot of information exchanges with the US. So for example, if they come from, like, an English speaking country, or maybe a country that has close commercial ties to the US, does a lot of trade with the US, then that will make the immigrants more likely to invest in financial markets when they actually move to the US. And what's interesting is that you don't find evidence for a cultural explanation or for the idea that, like, there's something inherent to the country that an immigrant comes from that might make them more conservative in their investments or, or more comfortable taking risks. So, yeah. Why don't you just, uh, give us a sense of what you found in this paper?

VB: So this is an interesting paper because we were, you know, trying to uncover what were some of the reasons for different patterns in investing for various immigrant groups. And so often the first thing that could spring to mind was, well, maybe it's something with culture that is, you know, influencing investment decisions in, in a particular way. But with this paper, what we found is, again, this information cost story, and the idea that information costs are barriers to participation for particular groups. And we found that people that came from countries that had more lower barriers or lower information costs were more likely to engage with markets than people that, uh, immigrated from countries that did not.

CG: Yeah, it's just a, the reason, the reason I found this fascinating is precisely because of the first point you make there, which is you were searching for a cultural explanation. And there just doesn't.. I mean, you know, as, as you write, you know, to, to quote you directly, "In our results, we find little support for this theory." In other words, that if you're coming from Germany and people think of Germans as being more cautious, uh, and you come to the US, well, actually that doesn't seem to be the influence of how much risk you're willing to take. It seems to be more determined by whether or not you come from a place that has more of an exchange going on with the US.

And what it brings to mind also is that I'd love to see something like this tried in other parts of the world, like in the stock markets of, you know, South America or in the stock markets of Europe or that kind of thing. Uh, you know, maybe at some point, uh, you know, someone based over there, a European scholar can kind of come across your work and say, "Hey, I wonder if this applies to how people invest in, you know, in the, in the German stock market or in the UK or something like that. I, I-I'd be intrigued by this. Uh, so how, how surprised were you to, to discover this?

VB: It was, it was really surprising, but that's, to me, that's the fun thing. That's the fun of research, right? You go in with, uh, perhaps this could be it, you go in with, you know, economists, we call it our prior, and then you take it to the data and you test the question and sometimes the results come back differently than you anticipated, and that's okay. Uh, that's, that's the fun of research, I guess. And so initially we did enter this project thinking that perhaps we could find some cultural link, but we did not. Uh, and we found it's more consistent with this information cost story.

CG: And finally, Vicki, uh, I want to turn now to your work on mental health and how it affects certain choices that people make. So you've got a forthcoming paper with co-authors Angela Fertig and David Just, and the title of this paper is, "Self-Employment and Mental Health". And specifically you look at whether having certain kinds of psychological distress. And so that could be like anxiety or maybe depression, uh, whether that makes people more likely to be self-employed rather than working in, like, a wage and salary type job where you work for a company, you've got colleagues, it's sort of structured and bureaucratic. Uh, and then you looked at the same thing for people with longer term mental illnesses. So basically whether folks overall with mental health issues are more likely to be freelancers or like small scale entrepreneurs. What did you find?

VB: Yeah. So, uh, actually thank you for, for asking about this paper. This is interesting because we wanted to look at how mental health affects your occupational choice decisions. And the logic there is, is it the case that wage and salary employment is more difficult for people with certain types of mental health issues? And so if that's the case, do you see, in fact, that people with certain types of mental health issues tend to go into self-employment where they're maybe more flexible or less structured in a way that makes employment more desirable? We do a deep dive into a specific type of mental health issue. We look at what's classified as psychological distress, which is a fancy way to say depression and anxiety.

And so we look at a couple of different, you know, long term data sets and we find, irrespective of what type of psychological distress measure we use, we find that men that have moderate, psychological distress have a higher probability of going into unincorporated self-employment.

CG: What, what does that mean exactly? That sounds like freelancing or starting like a small business, but not with the intent to, you know, make it like a big company, that kind of thing.

VB: Yeah. So that's kind of the more mom-and-pop type of self-employment, as opposed to, "I'm gonna start the next Amazon." It makes sense when you think about it, that if you have some types of health issues or mental health issues and wage and salary employment could be more difficult for you for a lot of reasons, you would tend to gravitate towards a type of career that was a little more flexible and, uh, perhaps a little less stressful, you know, for your career choice. We also find to, to your other point, uh, we're able to look at long term mental health issues, and these are not just solely connected to, you know, psychological distress. But this is, we think when we're talking long-term mental health issues, we're talking about people that have had a mental health diagnosis for a long period of time.

And it could be, you know, a whole host of different types of, uh, mental health issues, but we do find that long-term mental illness can increase the probability of, um, self-employment in these unincorporated types of businesses for both men and women. And, you know, overall the conclusion of our paper is that individual difficulty in the wage and salary employment market is the likely mechanism for this kind of causal connection that we try to, to show and demonstrate in the paper.

CG: Yeah. And I, I can imagine a few potential implications for this, but the one that comes to mind is that freelancers and entrepreneurs, they often don't have the same kinds of benefits like retirement savings benefits, healthcare care, even certain kinds of tax breaks for those things that people who work for companies do have. And so it might be good for policy makers just to know that people who suffer for mental health issues might be more likely to end up self-employed than other folks, so that if there are good ways to extend to them similar benefits that people who work in wage and salary jobs get, then that might be something worth considering. But what do you think?

VB: Well, I, you know, to the point that you're making, I think understanding what influences the self-employment decision making process can be really important for policymakers. Think about government agencies like the small business administration, you know, that agency supports business owners with advice and planning services. And so understanding that people may have different reasons for engaging in self-employment. It may be because they're dealing with some type of health issue. And so if individuals are embarking on self-employment ventures as a method to cope with other issues related to mental health, it might be nice and desirable to provide advice that's tailored and relevant for this particular audience.

Just as mental health can influence one’s best approaches to traditional employment, it can also shape successful strategies for creating a new business.

The other thing that's important to understand is that this could produce another point of vulnerability for a particular population, because we know that those who are self-employed may not have, uh, access, you know, they might not have access to a 401(k) plan or a 403(b) plan. And so it's important to know that there are specific populations that may need specific type of support. And those in unincorporated, um, self-employment may need better access to health insurance, maybe need better access to kind of retirement savings vehicles so that there aren't long term consequences on economic status for those with mental health issues.

CG: Yeah. And by the way, these issues can compound because in an earlier paper, this one with Angela Fertig, you found that there is a relationship between psychological distress, depression, as you described and, and other kinds of distress and the fact that people who suffer from it tend to save less in retirement accounts so that they might not be as, as prepared for retirement as other folks. And so if you combine these two things, it seems like people who do suffer from these kinds of mental health problems are likelier to, to end up, you know, facing a retirement with a shortage of sufficient retirement savings to, to, you know, live a dignified, uh, life when they're, when they're older.

VB: Yeah. That, that's a very key point. I mean, uh, you're referencing this other paper that I have with, uh, my co-author Angela Fertig. And we did find that mental health problems decrease the probability of holding a retirement account. Uh, they also decrease retirement savings as a share of total financial assets for households and, um, mental health issues are correlated with lower pension account values overall, um, between, you know, 20, we found between 20 and 28% lower than the average account value and mental health problems are also associated with increased probabilities of withdrawals from retirement savings, increased withdrawals as a share of financial assets and increase in sort of those size of withdrawal. And so when you think about it, um, these are really key issues to understand that mental health can have some significant effects on your financial health. And we need to be able to quantify and be aware of some of these effects.

CG: What’s your favorite paper that you've ever done? Doesn't have to be one of the ones we just discussed, could be anyone.

VB: So that's like asking, uh, what, yeah, child I like best, right?

CG: Which children, which, which child you love best? The Sophie’s Choice of economic research.

VB: I don't know if I can pick.

Uh, I, I quite like, uh, my first paper that I ever got published and I think it's because it's the first paper that I got published. And so I think I'll always have a fondness for that. Um, it came out of my PhD dissertation.

CG: What did you find?

VB: It's on stock market participation and the internet. And so this was exploring sort of this transformational change in the way that investors can access markets. So looking at kind of the advent of internet trading and looking at how it changed stock market participation rates in the US. And so that's, you know, that's one of my favorite papers. Actually, I have a, another paper. I do some work in, in development economics and so I have a paper looking at, um, capital structure and sustainability, um, looking at microfinance institutions. And so that's, that's a paper that, that I like too. And I, I do really, um, I'm really excited about the whole strand of literature that I'm doing, looking at mental health issues and financial choices, like the, the retirement paper that we talked about, uh, like mental health and portfolio allocation paper, those types of papers have been pretty interesting to me recently.

CG: What I love about this is that as you went about answering that question, you kept saying more and more papers as your favorite. You know, it really is just hard for you to choose, which is your favorite paper. I love it, that's great.

VB: Yeah, I told you, I do not have a favorite child. I love them equally. And it's hard to say that I have a favorite paper.

CG: Yeah. My last question Vicki is just to maybe share with our listeners, uh, one really surprising thing about your research that you think more people should know about and, and understand, and it doesn't have to be a specific finding. It could just be a broader lesson, uh, about investment decisions made by households or about anything else.

VB: Well, I do think in general, I think there are a lot of aspects of household structure and sort of your mental state that influence your household decision making in a way that people don't anticipate, don't quite understand, or, you know, isn't obvious. And so I think that's what I like most about this area of research is you really uncovering aspects that, you know, ex-post, you say, "Yeah, it makes sense that, that would affect your decision making," but ex-ante people don't acknowledge or understand that it is influencing their financial decisions.

CG: Vicki Bogan, this has been a great chat. Thanks so much for being on The New Bazaar.

VB: Thank you so much for inviting me, it was a pleasure.

CG: And that is it for today's show. We are gonna post links to all of Vicki's papers that we discussed today in the show notes for this episode, along with links to some of her other work, because she's done a lot. The New Bazaar is a production of Bazaar Audio. From me, and executive producer, Aimee Keane. Adriene Lilly is our sound engineer and our music is by Scott Lane and DJ Harrison of Subflora Studio. Please follow or subscribe to The New Bazaar on your app of choice and if you enjoyed today's show, leave us a review or tell a friend, it really is the best way for people to find out about us. And that is what will ensure that we can keep doing the show. If you wanna get in touch I'm on Twitter as @CardiffGarcia, or you can email us at hello@bazaaraudio.com. That's hello@B-A-Z-A-A-R A-U-D-I-O.com. And we'll see you next week.