

AN EXPLORATORY EXPERIMENTAL ANALYSIS OF PATH-DEPENDENT INVESTMENT BEHAVIORS

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ABSTRACT

In an experimental setting designed to cleanly partition the disposition effect and various wealth effects, we find evidence that such path-dependent behaviors are related in the sense that those subject to one effect are more or less likely to exhibit another. For example, those subject to the disposition effect are more likely to be subject to the break-even effect, perhaps because both effects involve escalation of commitment. There are also significant gender differences in path-dependent behaviors. For example, males are more likely to make portfolio adjustments in response to changes in relative prices.

Keywords: path-dependent behavior, disposition effect, house money effect