Lingnan University 嶺南大學 香港 Hong Kong

Seminar

ECON DEPARTMENT OF ECONOMICS

"Financial Fraud and Investor Awareness"

(in English)

Professor HUANG Yangguang
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Date: 8 May 2019 (Wednesday)
Time: 2:00pm – 3:30pm
Venue: WYL314, 3/F, Dorothy Y. L. Wong Building

Abstract

Our experiment and survey suggests that some investors are unaware of the possible financial fraud of high-return products. Motivated by this finding, we build a model with boundedly rational investors and firms strategically choosing whether to offer normal or fraudulent products. Competition makes offering normal products less profitable and thus discourages firms from behaving honestly. In a separating equilibrium, an honest firm sells a normal product to sophisticated investors, while a dishonest firm targets only naive investors. By disclosing information about financial fraud, the honest firm can steal market share from the dishonest firm, but doing so may induce the dishonest firm to deviate and compete for the normal-product market, limiting the honest firm's incentive to disclose information. Policy instruments, such as an interest rate ceiling, legal punishment, and a public education program, may also trigger the honest firm to strategically shroud information. As a consequence, these policies cannot ensure an improvement in investors' welfare.

Biography

HUANG Yangguang is an Assistant Professor of Economics at Hong Kong University of Science and Technology. He received his Ph.D. in Economics from University of Washington in 2016. His research areas are Industrial Organization and Applied Microeconomics. The theme of his research is combining economic models and econometric techniques to study policy-oriented topics. His research projects tackle problems in procurement, public resource allocation, corruption, financial development, digital economy, and online markets.

All Are Welcome

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