

April 7th, 2017

KAP 414

3:30 P.M. – 4:30 P.M.

Professor Xunyu Zhou

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“Discounting, Diversity, & Investment”

Abstract: This paper presents the class of weighted discount functions, which contains the discount functions commonly used in economics and finance. Weighted discount functions also describe the discounting behavior of groups, and they admit a natural notion of group diversity in time preference. We show that more diverse groups discount less heavily, and make more patient decisions. Greater group diversity leads to more risk-taking and delayed investment in a real options setting. We further provide a general result on the timing behavior of groups, and link it to that of individuals who are time-inconsistent.

This is a joint work with Sebastian Ebert and Wei Wei.