Financial Study: Most financial studies are wrong

A new study criticizes: Statistical methods were far too lax "/>

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"Forget everything you've done so far": So sounds like the message of a new working paper of the private National Bureau of Economic Research (NBER), which is addressed to researchers in the field of financial economics. There they engaged in, among other things, why different shares or securities yield different levels of income. "We argue that most research in the area is probably wrong," write the economists Campbell R. Harvey, Heqing Zhu and Yan Liu at the beginning of the paper.

The reason: the statistical methods that were used were too lax. Had the economists proceeded strictly in the past, they had to discard many of their theses. Just works like this: economists make a hypothesis on which they then randomly check by it based check as many data.

Discard or not

The hypothesis could be about: The size of a company does not affect the expected return of a stock. Then adjusted to a maximum p-value: about 0.05. The economists can go through the largest possible data set that then spits such a p-value. If it is less than 0.05, the hypothesis is rejected, it is the common practice. If the p-value is 0.02, this means that the probability that the hypothesis is wrongly rejected, is two percent. The lower the p-value, the more confident researchers can be.

Absolute security there is never in a social science, however. Economists want to find any regularities in their work. A hypothesis is never finally adopted, they only found that certain things do not apply with high probability. What the study of the three economists says economists should have used a smaller tolerance level, must provide a lower p-value as a condition.

Is interesting, as economists respond to the study. The authors themselves, that their work only confirm things have speculated over the other for some time. In medicine, there was a similar finding almost ten years ago. The economist Tyler Cowen, who enjoys a good reputation in the industry, the study commented on his blog as "perhaps no surprise" ("perhaps not a surprise"). (Sat, derStandard.at, 10/23/2014)

On the left

An old version of the study (to the public) The completed survey (only with NBER Login accessible)

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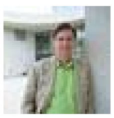

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Als Campbell Harvey posten (Das bist du nicht?) Kommentieren

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