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CPA-Canada Accounting and Governance Research Centre RESEARCH SEMINAR SERIES

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Baohua Xin is an Associate Professor of Accounting at Rotman School of Management of the University of Toronto. He has a PhD in Business Administration with a concentration in accounting from University of Minnesota's Carlson School of Management. His research areas are information economics and capital markets. His recent work has been focused on how human brains process ambiguous and risky information, whether investors exhibit higher order reasoning in the presence of both fundamental and strategic uncertainties, and how accounting disclosure affects firm investment and the trust and trustworthiness among market players. He utilizes a combination of research methods in his research (analytical, archival, and experimental).

Topic: «The Effectiveness of Cheap Talk Disclosures in Building Trust Compared to Hard Accounting Information»

Abstract:

Hard accounting information provides a fact-based foundation for economic exchange that makes it more difficult for people to disagree about economic outcomes and their causes. One likely result is that hard information deters self-dealing and the deceptive communication necessary to conceal such conduct. Because successful self-dealing cannot be directly observed in naturally occurring data, we conduct an experiment where this behavior can emerge endogenously along with a concealment strategy fashioned by the self-dealer. We experimentally manipulate the availability of hard information and communication through cheap talk (i.e., “chat”). We test multiple hypotheses about how the incidence of manipulative disclosures and “real” actions, and trust vary when hard information and/or cheap talk communication can be supplied. Our experimental evidence shows that hard information can be a powerful force in promoting honest communication and reducing self-dealing. Yet surprisingly, we also demonstrate that economies where cheap talk communication is possible but hard information cannot be supplied are characterized simultaneously by frequent self-dealing and high levels of trust as evidenced by willingness to invest. Evidence from additional tests suggest that this seeming contradiction is due to self-dealers limiting their gains to possibly preserve the long-term relationship and the use of chat to personalize the exchange relationship and produce trust by their partner.

TIME: 10 a.m. – 11:30 a.m., Friday, November 17, 2017
PLACE: Desmarais Building, Room 4165

RSVP Required - contact Kathy Cunningham at CPA-Canada AGRC for more info
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