The Economic Growth Centre cordially invites you to a seminar by Assoc Prof Chen Kang

**Speaker:** Assoc Prof Chen Kang  
*Division of Economics*  
*School of Humanities and Social Sciences*

**Topic:** "Financial Herding in a Local Interaction Model"

**Chairperson:** Assoc Prof Huang Weihong  
*Economics*  
*School of Humanities and Social Sciences*

**Date:** Wednesday, 25 October 2006  
**Time:** 2:30 pm – 4:00 pm  
**Venue:** Executive Seminar Room 3 (S3.1-B1-05)  
Nanyang Business School  
Nanyang Technological University

**About the Speaker:**

Dr. Chen Kang is associate professor of economics at Nanyang Technological University (NTU). He received the B.Sc. from Xiamen University, the M.Sc. from Ohio University and the Ph.D. from the University of Maryland. Before joining NTU, Dr. Chen worked at the World Bank’s Socialist Economies Reform Unit and subsequently taught at the National University of Singapore. He has published widely on issues relating to macroeconomic modelling, economic reform and development, and the economic role of government in professional journals including *Journal of Comparative Economics*, *European Journal of Political Economy*, *China Economic Quarterly*, *International Journal of Public Administration*, and *Economic Modelling*. He is author of *The Chinese Economy in Transition: Micro Changes and Macro Implications* (Singapore University Press, 1995). His current research interests include macroeconomic modelling, agent based models, China’s economic reform and intergovernmental relations. Dr. Chen has also served as a consultant to government organizations and multinational corporations.

**Abstract:**

Most models of herd behavior in financial markets have been pursued in a setting of market-wide global interactions between market players. However, many interactions are local interactions within social groups. This paper presents a model which focuses on group formation and group dynamics in decision making. The formation of social groups follows a random cluster process. The group decision rule, which combines individual opinion and group opinion, is specified in a flexible manner to allow for various types of group interactions. Simulation results show that the collectiveness and activeness of agents are important explanatory variables for herding behavior.

**JEL classification:** C15, C65, D71, D82, D85, G12, G14

**Keywords:** Group formation, Group dynamics, Herd behavior, Random cluster process, Agent-based models

**Reservation:**

Admission is free. Please reply to Christina, e-mail: achristina@ntu.edu.sg or Tel: 6790-5689 to confirm your attendance.