Special issue of the Multinational Finance Journal on
"Multinational Manifestations of Behavioral Phenomena"

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Proponents of behavioral finance have as their goal the introduction of realistic psychological concepts into the study of finance. I call this the "behavioralizing finance." In this respect, behavioral finance is more of an approach than a field.

This special issue is devoted to behavioralizing multinational finance. In this regard, the issue focuses on topics that provide insights into the manner in which the psychological concepts manifest themselves in different countries and across the financial spectrum. The papers in this issue explore the broadening of behavioral finance, in terms of new applications and different countries, thereby providing deeper insights into issues that have been prominent in the existing behavioral literature.

There are six papers in the special issue. These papers study the multinational dimension of equity premiums, herding, home bias, framing issues in accounting statements, managerial optimism, and managerial anchoring.

Marc Oliver Rieger, Mei Wang, and Thorsten Hens use international evidence to explore the application of hyperbolic discounting to the equity premium puzzle. Their paper is novel in two ways. First, they use international data. Second, they investigate the puzzle through the lens of hyperbolic discounting: this concept is different from the concept of myopic loss aversion that is commonly used to study the equity premium puzzle. Notably, hyperbolic discounting has been shown to be predictive of outcomes pertaining to scholastic achievement, health-related behavior, and creditworthiness.

Thomas C. Chiang, Jiandong Li, Lin Tan, and Edward Nelling investigate dynamic herding in Pacific basin markets. They report that herding is time-varying, and is present in both rising and falling markets. Moreover, they find that herding is positively related to stock market performance, and negatively related to market volatility. This finding extends prior work which finds that investor heterogeneity is greater during periods of negative returns.

Wendy Rotenberg investigates home bias in a context that is inherently multinational. She asks whether the valuation of Canadian natural resource firms is related to two types of decisions. The first is whether or not firms present financial reports in U.S. dollars. The second is whether firms allow dual currency (Canadian and U.S. dollar) trades of their shares in Canadian

markets. She finds that firms that choose to report their financial results in U.S. dollars enjoy a higher proportion of U.S. trades, thereby reducing "home bias" by U.S. investors. She also finds that providing investors with the opportunity to transact in U.S. dollars in Canada generates no beneficial impact.

Wenjuan Xie studies a puzzling aspect of Chinese firms that are listed in Shanghai and Shenzhen Stock Exchanges. The puzzle relates to accounting performance, profit efficiency and valuation: Between 2001 and 2010, average return on assets (ROA) declined monotonically, but market valuations rose. In the course of investigating this puzzle, the paper examines framing issues associated with measures of accounting performance such as ROA, as distinct from profit efficiency. Notably, the paper documents a cross-sectional positive relationship between profit efficiency and market valuation. This finding suggests that as a general matter, Chinese investors are able to adjust for inconsistencies between accounting measures of profitability and profit efficiency, at least for listed firms.

I-Ju Chen and Shin-Hung Lin investigate the relationship among managerial optimism, investment efficiency, and firm valuation. These authors examine the impact of different levels of optimism on investment efficiency and firm value that stem from under- or over-investment. They report that a firm which underinvests, but whose CEO is highly optimistic, tends to take decisions that mitigate the degree of under-investment. Interestingly, the evidence does not show that overinvested firms reduce the associated inefficiency, even when the CEO's optimism is relatively low.

Chia-Hsing Huang, Prasad Padmanabha, and Wenqing Zhang investigate an issue that lies at the intersection between corporate finance and organizational behavior. The issue involves managers' susceptibility anchoring bias when making off-shoring decisions about capital budgeting or mergers and acquisitions. Specifically, they investigate conditions under which it is cost effective for firms to use committees consisting of two or more managers to mitigate anchoring bias.

The point of having a special issue on multinational behavioral finance is to draw attention to the international dimension of behavioral issues. Going forward, the signal should be clear, that behavioral perspectives are as welcome to studies of multinational research topics as anywhere else in the financial landscape.

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