ABSTRACT

We study herd behavior with financial market graduates. We follow a treatment, in which the price adjusts to the order flow so that herding should never occur. We observe whether the participants follow the same action irrespective of their private information. We go through multiple rounds in which the participants have to make decisions regarding whether to buy, sell or not to trade the underlying asset. In the treatment, subjects herd seldom, in accordance with both the theory and previous experimental evidence on student subjects. A proportion of subjects, however, engage in contrarianism, something not accounted for by the theory.