

Research Statement

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**Introduction**

My research investigates the impact of non-traditional forces on financial markets to better understand the economic and financial decisions of consumers, investors, and institutions towards appreciating their effects on resource allocation and market efficiency. My work seeks to identify such non-traditional forces, understand the neoclassical and behavioral channels through which they operate, and evaluate their economic impact. Whether violent events, inequality aversion, or religious experiences, I show how a better understanding of such non-conventional forces is key to bridging existing dichotomies in literature, addressing market anomalies, and improving institutional design. Broadly, my research interests are rooted in economic development and behavioral finance. Geographically, I am especially interested in studying the the Middle East region which remains severely under-researched despite its dominating role in the global economic and political arenas. My goal is become the leading scholar on the economy of the Middle East.

**Current Research**

My dissertation explores the role of beliefs in financial markets. Specifically, it consists of three essays that investigate how each of violence, trust, and religion influence peoples' beliefs and impact financial markets. The first essay examines the cross-border financial impact of political violence. It proposes that violence has two types of impacts; a direct loss from the destruction of physical and human capital, and a reallocation of financial and economic assets to other destinations. It documents both sides of this reallocation transaction, the negative effect on the country afflicted by violence, and for the first, the positive on other countries. In doing so, the essay reconciles the existing dichotomy in the literature regarding the magnitude of the economic impact of violence. The study also analyzes how geographic distance, safety perception, financial depth and openness affect the dispersion of this cross-border reallocation.

The second essay (coauthored with Iris Bohnet) addresses the question of whether insuring principals against the downside of trust in case of a breach increase trust. The literature does not have a conclusive answer to this question. We use an inequality aversion framework to argue that while insurance decrease the principal's cost of breach, it actually increases its likelihood. Thus, insurance poses a complex optimization problem for principals as it causes two effects that are opposite in direction. We employ trust experiments in Jordan to measure changes in subjects' willingness to trust and be trustworthy in response to changes in the principal's breach payoffs, which in essence represent insurance. We also examine how naturally occurring vulnerabilities affect trust and trustworthiness. The study finds that insuring the principal against the agent's breach leads to lower trustworthiness. There is no clear relationship between insurance and trust. Additionally, more naturally vulnerable principals receive higher rates of trustworthiness.

The third essay investigates a seldom explored relationship, that between religion and financial markets. This study examines the effect of religious experience during the Muslim holy days of Ramadan and Ashoura on the daily returns of seventeen Muslim financial markets. It uses the special characteristics of the Muslim lunar calendar to isolating the elusive effect of faith. The study documents statistically significant changes in daily stock returns associated with religious experiences on these holy days. This effect is not unidirectional as the most sacred days in Ramadan yield a positive impact on daily returns while Ashoura is associated with a negative effect. The essay also utilizes the heterogeneity of worship intensity within the month of Ramadan as a natural experiment to validate that the measured impact is indeed resulting from religious experience.

Aside from my dissertation, I have written on the impact of domestic, regional and international violence and instability on the Jordanian economy and financial markets using the event study methodology. My research papers include a study on Jordan's Competition legislation and the transplant effect. Additionally, I have analyzed the reaction of private interest to Jordan's 2002 Competition Law as reflected in stock market data. Also, I have examined water management and agricultural policy in the Middle East and North Africa. I am currently analyzing intraday transaction trends in Middle Eastern stock markets, and assessing the use of punishment in cases of contract breach in Saudi Arabia using a lab experiment.

### **Methodologies**

My work deploys a number of research and analytical methods. These include rigorous data manipulation and econometric analyses of extremely large datasets such as the intraday stock market transaction data. Specifically, I developed an expertise in the event study methodology. My data collection spans a wide spectrum which includes primary and secondary sources. I have conducted meticulous searches through microfilm archives as well as running laboratory experiments on human subjects in the Middle East and the US.

### **Research Potential and Future Trend**

Going forward, my scholarship will build on my academic training and professional experiences in the private and public sector. Academically, my four Harvard degrees focus on the intersection of economic development theory, public policy, and Middle Eastern studies. My professional experience exposed me to the practical application of these theories. As result, I am interested in isolating and analyzing the gap between what economic theory predicts and human practice reflects.

My overarching research interests include identifying the institutional and behavioral constraints on economic development in the Middle East. Similar to my study of violent events, my future research will seek to understand the economic and human impact of conflict. In addition, I am interested in researching the economic drivers behind conflict escalation and resolution. Furthermore, as my study on religion and financial markets exemplifies, my future

October 2009

research will utilize my unique and entrenched cultural knowledge of the Middle East towards illuminating its little known and understood cultural norms and their impact on public policy and the economy. Moreover, this knowledge will be applied towards customizing the design of the region's institutions to better fit its customs and behavioral parameters, as is illustrated by my paper on trust and insurance. I expect that my future research portfolio will be deep-rooted in enhancing the analysis, formulation and delivery of policy.