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Weather and Financial Risk-Taking: Is Happiness the Channel?

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Abstract

Weather variables, and sunshine in particular, are found to be strongly correlated with financial variables. I consider self-reported happiness as a channel through which sunshine affects financial variables. I examine the influence of happiness on risk-taking behavior by instrumenting individual happiness with regional sunshine, and I find that happy people appear to be more risk-averse in financial decisions, and accordingly choose safer investments. Happy people take more time for making decisions and have more self-control. Happy people also expect to live longer and accordingly seem more concerned about the future than the present, and expect less inflation.

Keywords: happiness, risk-taking, climate**JEL Classification:** D01, D91, G11[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID1476884_code940076.pdf?abstractid=1476884&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1476884_code940076.pdf?abstractid=1476884&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID1476884_code940076.pdf?abstractid=1476884&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1476884_code940076.pdf?abstractid=1476884&mirid=1&type=2)

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Instrumental variables and GMM: Estimation and testing

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