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## The Role of Financial Markets in Mitigating Credit Market Bubbles



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**W**e investigate how long an insolvent debtor can avoid default when survival is beneficial to creditors collectively, but individual creditors gain by forcing early repayment. Theory predicts that the debt is not rolled over and default is immediate. With 23 experimental sessions, default is never immediate, with or without secondary debt markets. With markets, prices do not reveal survival length but correlate with payoffs. Creditors are better off with markets, but markets exacerbate wealth inequality. Survival length is reduced upon repetition with the same cohort. When new creditors are introduced, survival length remains constant, even with access to default history.

### Biography:

Anh Tran is an Assistant Professor of Finance at the School of Business, University of Connecticut. He completed his doctoral studies in finance at the University of Rochester. His research interests focus on empirical asset pricing, mutual funds, and corporate governance. His work has been published in the Journal of Financial Economics.