

## Coronavirus and Corona beer: It's all in the name

As the seriousness of the coronavirus pandemic became apparent in Western countries, gossip on social media [claimed](#) that sales of Corona beer had fallen. This was plainly wrong. But the confusion shows how important a simple name can be



Gossip and rumour are always unreliable, whether from social media or elsewhere. They should not be trusted.

However, the idea that a name alone can play an important part in the way people make decisions is something that has been known for some time. Names matter. It can affect investing, getting a job, and can be useful for research going back generations.

### The dot com bubble

From the mid 1990s until around the year 2000, global stock markets, and especially the Nasdaq, rose spectacularly, driven by the popularity of stocks associated with the introduction of

the internet into everyday use. Many companies were pioneers in developing ways to harness this new technology profitably. Others, however, simply fed on the popularity and mania for what were known as “technology, media and telecom” stocks and listed names that either used an “e-“ prefix or a “.com” suffix. These names were meant to imply the companies were working in these popular industries, even if they were not. Many people [noted](#) that simply changing the name of an existing company to include these indications led to a significant rise in the stock price.

In 2001, academics from Purdue University in the US confirmed the dotcom effect. A corporate changing its name to include “.com” could expect to see abnormal returns of 74% for the 10 days surrounding the announcement day. Further, this rise persisted.

There is a sting in the tail, however. After the dotcom crash, a name associated with the internet could lower the stock price. Several of the same researchers who wrote the 2001 paper looked the opposite effect in a 2003 paper. They found that removing “.com” from the name of a company during the bust led to cumulative abnormal returns of about 64%.

This 2014 article from The Atlantic [magazine](#) gives more details plus links to the original papers.

The peculiarity of this effect was one of a number of anomalies during the technology bubble that led many to question the rationality of investors and the efficiency of financial markets.

## Pick me!

When it comes to hiring people, names have been shown to affect who gets the job.

In 2003, Marianne Bertrand and Sendhil Mullainathan ran a field experiment in the US. They set up CVs and applied for many jobs advertised in newspapers. The trick was they changed the names on the CVs to reflect common names from different ethnic groups. They found that “Job applicants with white names needed to send about 10 resumes to get one callback; those with African-American names needed to send around 15 resumes to get one callback.” This article in the NBER [Digest](#) explains the research in more detail.

This and other research on unconscious bias is one of the main reasons that many interview processes now hide identifying aspects of job applicants.

## Names in research

Names are also useful in research because they allow families to be tracked over time. For example, they have been used to track how financial behaviour passes across generations of [families](#), the persistence of wealth within [families](#), and the [rate](#) of assimilation of migrants in the country they move to.

## Stop, think and listen

Why a name can affect decisions is not clear. Both conscious and unconscious bias could contribute. Behavioural scientists may say that people are making decisions dominated by system one thinking. To avoid the errors that may creep in when system one dominates, they would suggest setting up procedures that slow the decision-making process so that system two thinking has time to kick in. This can have a beneficial effect in situations as important as recruitment, and deciding which beer to buy.

A name can affect behaviour. That is clear. But there is a part of me that always knew this. After all, [Johnny Cash](#) was singing about it in 1969.