

2014 **ESA** European Meeting, Prague

September 3-6, 2014

University of Economics in Prague (VSE)

Namesti Winstona Churchilla 1938/4.

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Program Overview

Venue: The University of Economics in Prague (VSE). The main building is located at Namesti Winstona Churchilla 1938/4. (all talks)

Wednesday, September 3, 2014

- 6:00 pm - 9:00 pm ESA Welcome Reception, Zofin Garden

Thursday, September 4, 2014

- 9:00am - 9:10am Welcome Note (plenary lecture room)
- 9:10am - 10:20am Plenary Talk I (plenary lecture room): Martin Dufwenberg "Anger and Reciprocity"
- 10:20am - 10:50am Coffee Break (auditorium)
- 10:50am - 12:30am Parallel Sessions 1
- 12:30pm - 2:00pm Lunch (auditorium)
- 2:00pm - 3:40pm Parallel Sessions 2
- 3:40pm - 4:10pm Coffee Break (auditorium)
- 4:10pm - 5:25pm Parallel Sessions 3
- 7:30pm - 10:30pm Conference dinner at Mlynec

Friday, September 5, 2014

- 9:00am - 10:20am Plenary Talk II (plenary lecture room): Charles Noussair "Emotions, Facial Expressions, and Economic Behavior"
- 10:20am - 10:50am Coffee Break (auditorium)
- 10:20am - 12:30pm Parallel Sessions 4
- 12:30pm - 2:00pm Lunch (auditorium)
- 2:00pm - 3:40pm Parallel Sessions 5
- 3:40pm - 4:10pm Coffee Break (auditorium)
- 4:10pm - 5:50pm Parallel Sessions 6

Saturday, September 6, 2014

- 9:00am - 10:20am Plenary Talk III (plenary lecture room): Tim Cason "Measurement Methods in Economics: Preferences, Communication and Culture"
- 10:20am - 10:50am Coffee Break (auditorium)
- 10:50am - 12:30pm Parallel Sessions 7

Wednesday, September 3, 6:00 - 9:00pm

- Welcome Reception, Zofin Garden

Thursday, September 4, 9:00am - 9:10am

- Welcome Note (plenary lecture room)

Thursday, September 4, 9:10am -10:20am

- Plenary Talk I (plenary lecture room): Martin Dufwenberg "Anger and Reciprocity"
Chair: TBD

Thursday, Sep 4, 10:50 am-- 12:30 pm

Session 1, RB 112: Finance 1

- Doron Sonsino, [The Valuation of Composite Structured Deposits](#)
- David Schindler, [Does market micro-structure matter? Speculative overpricing with information flows.](#)
- Rene Levinsky, [Gains from trade and prices in an electronic call auction with insider trading - An experimental analysis](#)
- Joshua Miller, [Behavior in Parimutuel Betting Markets](#)

Session 2, RB 103: Preferences 1

- Peter Moffatt, [Heterogeneity in Preferences towards Complexity](#)
- Luke Lindsay, [Market Experience and Adaptive Loss Aversion](#)
- Annette Harms, [Randomizing Endowments: The Promise and Problems of Expectation-Based Reference Points](#)
- Michal Krawczyk, [Probability weighting in different domains: the role of stakes, fungibility, and affect](#)

Session 3, RB 104: Communication

- Lu Dong, [Communication, Leadership and Coordination](#)
- Marco Mantovani, [Whom are you talking with? An experiment on credibility and communication structure](#)
- Simin He, [Prison Talk: Why is communication effective in social dilemmas?](#)
- Christian Thoeni, [Collective action in norm enforcement - the role of communication](#)

Session 4, RB 105: Various Topics 1

- Paloma Ubeda, [Labor market transitions and the acknowledgment of earned endowment: a lab experiment in the field.](#)
- J Michelle Brock, [Do judges care about reputation? Experimental evidence from judges in Tajikistan](#)

- Astrid Hopfensitz, [Teenagers develop the ability to read trustworthiness from adult faces](#)
- Han Bleichrodt, [PRINCE: An improved method for measuring incentivized preferences](#)

Session 5, RB 106: Field Experiments 1

- Hakan Holm, [Are Entrepreneurs More Prosocial than Others?](#)
- Haley Harwell, [Risk Sharing in Three Texas Communities: Does Insurance Crowd out Informal Risk-Sharing?](#)
- Maria Santana, [Trust in Microfinance Markets](#)
- Nicholas Bardsley, [Community Based Initiatives in Energy Saving - a Field Experiment](#)

Session 6, RB 107: Auctions 1

- Fabio Michelucci, [How to Boost Revenues in FPAs? The Magic of Disclosing only Winning bids from Past Auctions](#)
- Theodore Turocy, [Bidding in first-price and second-price affiliated-values auctions: A laboratory experiment](#)
- Antonio Filippin, [Likelihood of winning and overbidding in first price auctions](#)
- Dirk Engelmann, [Do Buyers Strategically Build a Reputation for Defaulting?](#)

Session 7, RB 113: Social Preferences 1

- Andras Molnar, [People expect others to behave prosocially, yet systematically overestimate selfishness](#)
- Elisabeth Gsottbauer, [Social framing and cooperation: The role and interaction of preferences and beliefs](#)
- Benjamin Beranek, [Regarding Other Other-Regarding Preferences: Comparing Measures of Inequality Aversion](#)
- Matteo Galizzi, [On the external validity of social preferences games: a lab-field experiment](#)

Thursday, Sep 4, 12:30 pm -- 2:00 pm

Lunch, auditorium adjacent to Likesova aula

Thursday, Sep 4, 2:00 pm -- 3:40 pm

Session 1, RB 112: Finance 2

- Miroslav Zajicek, [Asset Market Bubbles and the 'End of the World' Problem](#)
- Ciril Bosch-Rosa, [Cognitive Bubbles](#)
- Konstantin Lucks, [Unleashing Animal Spirits - Self-Control and Bubbles in Experimental Asset Markets](#)
- Natalia Shestakova, [Bubbles, experience and success](#)

Session 2, RB 103: Preferences 2

- Claudia Neri, [Preferences for decision rights](#)
- Julian Jamison, [Economic Preferences and Sexual Infections](#)

- Hirofumi Kurokawa, [Eye Movement Analysis of Time Discounting](#)
- Lasse J. Jessen, [Individual Discount Rates and Assumptions on the Consumption of Rewards](#)

Session 3, RB 104: Games

- Christoph Brunner, [Is subject behavior consistent with the Nash equilibrium when preferences are common knowledge?](#)
- Irenaeus Wolff, [On the Salience-Based Level-k Model](#)
- James Tremewan, [An experimental test of network stability](#)
- Kjell Arne Brekke, [Relation specific investment in structured bargaining](#)

Session 4, RB 105: Methodology

- Lingbo Huang, [An Introduction to a Novel Real Effort Task with Applications](#)
- Ozgur Gurerk, [Gift Exchange on the Holodeck- A Real Effort Experiment in Virtual Reality](#)
- Ronald Peeters, [Eliciting and aggregating individual expectations: An experimental study](#)
- Dirk Engelmann, [Fair Behavior in Experimental Markets and Consumption Decisions](#)

Session 5, RB 106: Field Experiments 2

- Simeon Schudy, [How individual and shared feedback affect self-control at the gym](#)
- Pascaline Vincent, [Social segregation and trust : an experiment in secondary schools](#)
- Mongoljin Batsaikhan, [Trust, Trustworthiness, and Success in Business: Experimental and Field Findings from Mongolian Microentrepreneurs](#)
- Vojtech Bartos, [Moral Incentives and Contract Enforcement across Ethnicity: Experimental Evidence from Northern Afghanistan](#)

Session 6, RB 107: Auctions 2

- Krista Jabs Saral, [Speculators and Entry in Multi-Object Auctions with Resale](#)
- Marco Pagnozzi, [Multi-Object Auctions with \(Failed\) Resale](#)
- Ro'i Zultan, [Auction Mechanisms and Bidder Collusion: Bribes, Signals and Selection](#)
- Sander Onderstal, [Trading places: Experimental evidence on priority auctions in queuing systems](#)

Session 7, RB 113: Social Preferences 2

- Andreas Nicklisch, [Reciprocity models revisited: intention factors and reference values](#)
- Kurt Alexander Ackermann, [Reciprocity and the dynamics of social preferences](#)
- Tobias Regner, [Moral wiggle room and reciprocity](#)
- Yola Engler, [Generosity in Bargaining: Fear or Reciprocity?](#)

Thursday, Sep 4, 3:40 pm -- 4:10 pm

Coffee Break, auditorium adjacent to Likesova aula

Thursday, Sep 4, 4:10 pm -- 5:25 pm

Session 1, RB 112: Finance 3

- Yilong Xu, [A Futures Market Reduces Bubbles but Allows Greater Profit for More Sophisticated Traders](#)
- Tomoki Kitamura, [An Experimental Analysis of Bubble: Private Information and Trading Behavior](#)
- Alec Sproten, [Your Money is in Good Hands: An Experiment about Pecuniary Sanction and Accountability in Agency Dilemmas](#)

Session 2, RB 103: Macroeconomics

- Marcus Giamattei, [Balancing the Current Account - Experimental Evidence on Boundedly Rational Behavior](#)
- Davud Rostam-Afschar, [Do Tax Cuts Increase Consumption? An Experimental Test of Ricardian Equivalence](#)
- Nick Feltovich, [The effect of uninformed buyers on prices in posted-price directed-search markets: experimental evidence](#)

Session 3, RB 104: Repeated Games

- Ben Loerakker, [Affective bonding, destructive social behavior, and observed behaviors in social dilemma games: Theory, experiment, and application](#)
- Leonidas Spiliopoulos, [On the relationship between response time and decisions, latent beliefs, the history of play in a repeated game](#)
- Matthew Embrey, [An Experimental Study of Imperfect Public Monitoring: Efficiency versus Renegotiation-Proofness](#)

Session 4, RB 105: Conflict

- Luisa Herbst, [Balance of power and the propensity of conflict](#)
- Subhasish Modak Chowdhury, [Resources for Conflict: Constraint or Wealth?](#)
- Thomas Lauer, [Intergenerational conflict as multi-level social dilemma](#)

Session 5, RB 106: Neuroeconomics

- Gokhan Aydogan, [Oxytocin increases altruistic punishment](#)
- Kim Fairley, [Social sources of risk and ambiguity](#)
- Monica Capra, [The Neurobiology of Cheap Talk](#)

Session 6, RB 107: Auctions 3

- Miroslav Zajicek, [Does Feedback Really Matter in One-Shot First-Price Auctions?](#)
- Florian Lindner, [Time pressure in auctions](#)
- Christian Koch, [The Winner's Curse: Contingent Reasoning vs. Belief Formation](#)

Session 7, RB 113: Social Preferences 3

- Fadong Chen, [Processes of Distributional Preferences](#)
- Regine Oexl, [Distributional Preference Types and Ego Depletion](#)

- Sara Elisa Kettner, [Social preferences and age: Inherent differences or artefact?](#)

Thursday, Sep 4, 7:30 pm -- 10:30 pm

Session 1, Restaurant Mlynec: Conference Dinner

Thursday, September 4, 7:30pm -10:30pm

- ESA Conference Dinner, Mlynec

Friday, September 5, 9:00am - 10:20am

- Plenary Talk II: Charles Noussair "Emotions, Facial Expressions, and Economic Behavior"
Chair: TBD

Friday, Sep 5, 10:20 am -- 10:50 am

Coffee Break, auditorium adjacent to Likesova aula

Friday, Sep 5, 10:50 am -- 12:30 pm

Session 1, RB 112: Teams

- Philip Grossman, [Leader transparency in a sequential leader/follower game](#)
- Schmidt Carsten, [Teams Contribute More And Punish Less](#)
- Anita Kopanyi-Peuker, [Does the fear of exclusion improve team-production?](#)
- Marie-Claire Villeval, [Are teams less inequality averse than individuals?](#)

Session 2, RB 103: Ambiguity

- Daniela Grieco, [Endogenous versus exogenous ambiguity](#)
- Olivier L'Haridon, [Beliefs and Ambiguity Attitudes for Natural Sources of Uncertainty](#)
- Kim Fairley, [Ambiguity attitudes and borrowing behavior](#)
- Ralf Bergheim, [Information acquisition and decisions under risk and ambiguity](#)

Session 3, RB 104: Coordination 1

- Knut-Eric Joslin, [Should I Stay or Should I Go? Bandwagons in the Lab](#)
- Deborah Kistler, [To steal or not to steal: Values and Coordination](#)
- Maoliang Ye, [One Step at a Time: Does Gradualism Build Coordination?](#)
- Manuela Oberauer, [Determinants of preschool children's ability to coordinate in a stag hunt game](#)

Session 4, RB 105: Public Goods 1

- Tarun Jain, [Elites, Deception and Public goods: Experimental Evidence on Elite Capture in Rural Communities](#)
- Zuzana Berna, [Tax compliance in a modified VCM experiment](#)
- Luca Panacione, [A Hybrid Public Good Experiment Eliciting Multi-Dimensional Choice Data](#)
- Andreas Nicklisch, [Cooperating on Environmental Goods: Infinite Play, Uncertain Damages, and Learning](#)

Session 5, RB 106: Gender Differences 1

- Ismael Rodriguez-Lara, [Do women panic more than men? An Experimental Study of Financial Decisions](#)
- Lauri Saaksvuori, [Stress, Gender and Competitiveness](#)
- Lubomir Cingl, [How Stress Affects Willingness to Compete across Gender](#)

Session 6, RB 107: Market Design

- Daniel Stephenson, [Evolutionary Preference Revelation Dynamics under School Choice Mechanisms](#)
- Momo Deretic, [Correcting for the Optimism Bias in Entrepreneurial Prediction Markets -an Experiment](#)
- Leif Helland, [Information and coordination frictions in experimental posted offer markets](#)
- Min Zhu, [A Large Scale School Choice Experiment](#)

Session 7, RB 113: Social Norms

- Hugh Sibly, [Social Norm Choice](#)
- Eryk Kryszowski, [Anonymity and norms in the dictator game.](#)
- Konstantin Hesler, [To Punish or to Reward? An Experimental Study of Behavioral Sanctioning Norms](#)
- Urs Fischbacher, [Adaptive norm compliance across a border](#)

Friday, Sep 5, 12:30 pm -- 2:00 pm

Lunch, auditorium adjacent to Likesova aula

Friday, Sep 5, 2:00 pm -- 3:40 pm

Session 1, RB 112: Labor Market 1

- Carles Sola, [Distributional Concerns in Compensation Schemes: A gift Exchange Experiment](#)
- Catherine C. Eckel, [Eliciting Worker Type: Opportunistic, Norm-Based or Reciprocal](#)
- Philipp Krugel, [Employee Behavior and Resistance to Reform - An Experimental Analysis](#)
- Dorothea Kubler, [The effects of youth non-employment and informal employment: A field experiment on recruitment decisions in Germany](#)

Session 2, RB 103: Risk 1

- Olivier Armantier, [The Rich Domain of Risk](#)

- Alexandros Karakostas, [An experimental investigation of the tenuous trade-off between risk and incentives](#)
- John Hey, [Error Stories and the Estimation of Preference Functionals using 3-Way Allocation Data](#)
- Helga Fehr-Duda, [Balancing on a Budget Line](#)

Session 3, RB 104: Coordination 2

- Jona Linde, [Learning and Evolution in a Multi-Round Strategy-Method Minority-Game Experiment](#)
- Francisca Jimenez, [Experimental cheap talk games: Strategic complementarity and coordination](#)
- Aidas Masiliunas, [Overcoming lock-in in a critical mass game: the role of observability and farsightedness](#)
- Stefan Penczynski, [Coordination games with asymmetric payoffs: an experimental study](#)

Session 4, RB 105: Public Goods 2

- Bereket Kebede, [Public goods, inequality aversion, personality and social interactions: An experimental study](#)
- Felix Kolle, [The Behavioral Anatomy of the Tragedy of the Commons](#)
- Martin Scheuermann, [Carrots, sticks and efficiency of leading by example in social dilemmas](#)
- Robertas Zubrickas, [Rewarding Insufficient Contributions Promotes the Voluntary Provision of Public Goods](#)

Session 5, RB 106: Gender Differences 2

- Olga Stoddard, [Why women don't run: experimental evidence on the role of competition and qualifications](#)
- Diogo Geraldes, [Sex and Self-selection into Competition: Stereotypes, \(self\) Rational Response and Perception of a Competitor's Sex](#)
- Christian Solch, [The Impact of Order Effects in Remuneration Schemes - Gender Differences in the Crowd Out of Intrinsic Motivation](#)
- Peter Katuscak, [Gender, Risk Aversion and Framing](#)

Session 6, RB 107: Industrial Organization 1

- Andreas Orland, [Buyer Power in Bilateral Oligopolies with Advance Production: Experimental Evidence](#)
- Anita Kopanyi-Peuker, [Endogenous information disclosure in oligopolies](#)
- Alexia Gaudeul, [Do common standards promote competition? A market experiment.](#)
- Silvester Van Koten, [Do Emission Trading Schemes Facilitate Efficient Abatement Investments?](#)

Session 7, RB 113: Group Identity

- Einav Hart, [Groups, Group Members and Individuals: Choices and Impulses in Repeated Risky Decisions](#)
- Emmanuel Peterle, [Social identity and effort provision in a competitive framework](#)
- Marian Panganiban, [To friends everything, to strangers the law? An experimental study on group identity, contract enforcement, and trust relations](#)

- David Hugh-Jones, [Group identity and legislative bargaining](#)

Friday, Sep 5, 3:40 pm -- 4:10 pm

Coffee Break, auditorium adjacent to Likesova aula

Friday, Sep 5, 4:10 pm -- 5:50 pm

Session 1, RB 112: Labor Market 2

- Oded Ravid, [The public sector in the lab: the role of incentives](#)
- Peguy Ndodjang Ngantchou, [Influence Costs : Experimental evidence](#)
- Jose Maria Ortiz Gomez, [CEO vs Star Compensation: What Matters Most Talent or Loss Aversion?](#)
- Timo Hoffmann, [Performance Pay, Sorting and Employers' Choice: Can Tournaments be attractive for Workers and Employers?](#)

Session 2, RB 103: Risk 2

- Alexia Gaudeul, [Testing the Robustness of Social Preferences Under Risk](#)
- Astrid Gamba, [Social comparison and risk taking behavior](#)
- Doron Kliger, [Verbal and Color Priming Effects on Risk Attitudes of Laymen and Finance Professionals](#)
- Paolo Crosetto, [Illusion of control and conformism in the laboratory](#)

Session 3, RB 104: Voting

- Aaron Kamm, [Plurality voting versus proportional representation in the citizen-candidate model](#)
- Fabio Galeotti, [Competence versus Trustworthiness: What Do Voters Care About?](#)
- Pedro Robalo, [Why Does Political Mobilization Work? The Role of Norms and Reciprocity: Theory and Experiment](#)
- Joachim Weimann, [Understanding the Emergence of Public Debt](#)

Session 4, RB 105: Public Goods 3

- Tomas Miklanek, [Does Financing of Public Goods by Lotteries Crowd Out Pro-Social Incentives?](#)
- Caleb Cox, [Framing and Feedback in Social Dilemmas with Partners and Strangers](#)
- Olexandr Nikolaychuk, [Impact of Information Type on Incentives to Conditionally Cooperate: Experimental Evidence from Linear Public Goods Game](#)
- Emil Persson, [Simple Mechanisms in Public Goods Games - Voting on Minimum Provision Levels](#)

Session 5, RB 106: Gender Differences 3

- Arianna Galliera, [Are Women more suspicious than Men?- An Experiment with Prior Value Message before 'Acquiring-a-Company'](#)

- Karen Evelyn Hauge, [Contributing to public goods as individuals versus group representatives: Evidence of gender differences](#)
- Victor Gonzalez, [Paying with Self-Chosen Goals: Incentives and Gender differences](#)

Session 6, RB 107: Industrial Organization 2

- Axel Sonntag, [Boycott - An experiment on tax avoidance and empowered consumers](#)
- Enrica Carbone, [Past Performance and Entry in Public Procurement: an Experimental Investigation](#)
- Javier Rodero, [Thinking of becoming a predator? Direct and induced effects on the productive sectors of the economy](#)
- Andreas Leibbrandt, [If one price is good, are two better? Experimental evidence on the scope of Personalized Pricing](#)

Session 7, RB 113: Social Exposure

- Jana Cahlikova, [Does the Study Abroad Experience Affect Attitudes Towards other Nationalities?](#)
- Jeroen Nieboer, [Social comparison in the lab: The role of anonymity and visibility of buying status](#)
- Eli Spiegelman, [More than attitude? Testing the behavioral correlates of the mere exposure effect](#)

Saturday, September 6, 9:10am -10:20am

- **Plenary Talk III (plenary lecture room): Tim Cason "Measurement Methods in Economics: Preferences, Communication and Culture"**
Chair: TBD

Saturday, Sep 6, 10:20 am -- 10:50 pm

Coffee Break, auditorium adjacent to Likesova aula

Saturday, Sep 6, 10:50 am -- 12:30 pm

Session 1, RB 112: Contests

- Tobias Bruenner, [Tournament design with non-equilibrium beliefs](#)
- Topi Miettinen, [Person Organization Fit and Incentives: A Causal Test](#)
- Tracy Liu, [Competing Openly or Blindly in Crowdsourcing Contests?](#)
- Einav Hart, [The Strong, the Weak and the Lucky: An Experimental Investigation of Different Resolution Rules in Asymmetric All-Pay Contests](#)

Session 2, RB 103: Decision Theory

- Benoit Tarrow, [The role of supply and information in the long tail effect: an experimental study](#)
- Katharina Momsen, [Buying Goods of Unknown Value - An Experiment](#)
- Arianna Galliera, [Gamblers or Investors? An Experiment on the Illusion of Control](#)

- Ofer Azar, [Relative thinking with substitute goods: Does it exist with real choices?](#)

Session 3, RB 104: Lying and Cheating

- Ann-Kathrin Koessler, [But what if? - Measuring the heart rate in promise situations with uncertain outcomes](#)
- Kinga Posadzy, [How does dishonesty affect competition? - A close-up on gender in competition](#)
- Julie Rosaz, [Truth-telling under Oath](#)
- Roel van Veldhuizen, [Bribing the Self](#)

Session 4, RB 105: Charitable Giving

- Joo Young Jeon, [An Experimental Investigation of Charity Rebates](#)
- Menusch Khadjavi, [Indirect Reciprocity and Charitable Giving - Evidence from a Field Experiment](#)
- Joel van der Weele, [Bracelets of Pride and Guilt? An Experimental Test of Self-Signaling in Charitable Giving](#)
- Philip Grossman, [Deconstructing giving: Donor types and how they give](#)

Session 5, RB 106: Emotions

- Elina Khachatryan, [Letting off Steam! Experimental Evidence on Irrational Punishment](#)
- Linda Kamas, [Gender Differences in Public Policy Views; The Importance of Empathy](#)
- Nikhil Masters, [Do Emotional Carryover Effects Carryover?](#)
- Adriana Breaban, [The emotional process underlying bubbles and crashes in an experimental asset market](#)

Session 6, RB 107: Various Topics 2

- Florian Spitzer, [Insurance and Competition in Markets for Credence Goods - An Experimental Investigation](#)
- Michal Maco, [Experimenting with Commons](#)
- Jonas Fooker, [Healthy Aging and sound financial decision-making at old age](#)

Abstracts

The Valuation of Composite Structured Deposits

Doron Sonsino, sonsinod@colman.ac.il
The College of Management

ABSTRACT:

The experimental method is employed to explore the valuation of composite structured deposits (henceforth: CSDs) by potential investors. The scope of investigation is confined to two-tranche deposits, with no more than 2 levels of payable return on each tranche. Equivalent versions of experimental CSDs were constructed by shifting mass between tranches without affecting subjective return distributions. We first employ the structural-shift methodology to characterize investors' preferences for yearly (framed-field) deposits, with returns that depend on the realized performance of leading indices in 2014. The twin versions of similar CSDs were presented to distinct groups of advanced business or economics students and subjects were requested to choose between the CSD and risk-free investment in fixed (prime) interest rate. Individual expectations regarding the underlying uncertainties were elicited to control for subjective expected returns. In two additional experiments we detach from existing market conditions, asking subjects to make few dozen binary choices between alternative CSDs to study the representation effect on preferences within-subject. On one hand, the experiments clearly suggest that investors tend to value compound investments 'by tranche'. However, subjects still respond to changes in correlation structure, revealing that reduced-form considerations might interfere with the inclination to value each component separately. A hybrid model where investors respond to reduced-form distributions, but are still affected by specific decompositions, approximates the data most accurately. Preliminary implications, in terms of CSD design, are illuminated.

Author(s): Sonsino Doron, Rosenboim Mosi and Shavit Tal

Topic: Decision Theory: Other, Applied Economics: Other

[Back to session: Finance 1](#)

Does market micro-structure matter? Speculative overpricing with information flows.

David Schindler, david.schindler@econ.lmu.de
Ludwig Maximilian University, Munich

ABSTRACT:

In an experimental market setting we explore the causes for under- and overreaction to imperfect public signals as deviations from a Bayesian learner benchmark. Based on a recent study by Palfrey and Wang (2012, Econometrica), we study the influence of social interaction on updating heuristics on the individual level and compare the impact of three different market architectures with varying degrees of information disclosure on traders' learning patterns (a double auction market, a call market, and a setting without any market). We elicit beliefs in a way to separate beliefs stemming from market activities from belief updates via incoming signals. Our results partly corroborate the findings by Palfrey and Wang: The beliefs about the payoff state of the asset react sluggishly and tend to be less pronounced than they should be for Bayesian learners, which is in line with their theoretical and experimental findings.

However, the trading patterns we observe strongly contradict their results, with average prices almost always above the maximum possible payoff state. This pattern is largely explained by a small fraction of subjects who value possessing the asset more than it can actually be worth. This result could either be from a lack of understanding the nature of the game itself or other intrinsic motives, whereas we are able to rule out explanations based on cognitive skills, which makes the latter argument more likely. We show that this kind of too high valuation is not only associated with higher trading prices for the specific individual, but also markets with higher shares of these individuals exhibit on average higher trading prices. There is also evidence for a substantial amount of players anticipating this particular behavior who hence engage in speculative motives. Speculative trading does not pay off however, as speculative traders do not correctly anticipate the market collapse in the final period(s). Surprisingly, market forms do not seem to matter much for belief formation. We observe no differences in the assessed likelihood of obtaining a high dividend across our treatments. Our results suggest that while Palfrey and Wang's model of belief updating is very successful in predicting asset payoff expectations, it fails to explain trading behavior as soon as some traders have irrationally high beliefs. In addition, we find not only many more subjects not reacting to the signal at all, but also some who mistrust the signal in general. It seems that many more people actually do not react to the signal than originally estimated by Palfrey and Wang.

Author(s): Florian Lindner and David Schindler
Topic: Markets: Finance, Decision Theory: Beliefs
[Back to session: Finance 1](#)

Gains from trade and prices in an electronic call auction with insider trading - An experimental analysis

**Rene Levinsky, levinsky@econ.mpg.de
Max Planck Institute of Economics**

ABSTRACT:

The present study contributes to the ongoing debate on possible costs and benefits caused by insider trading in financial markets. In particular, we run three series of electronic call auctions in the laboratory where we change the probability of informed trading as a treatment variable. Overall, we find that the subjects in our experiment realise about half of the possible gains from trade. Comparing this share with Pouget (2007) who reports an efficiency of about 30% in an experiment similar to ours, we find our experimental markets to perform reasonably well. Interestingly, the realised gains from trade increase when there is a high probability of insider trading. Analysing the Bayesian Nash equilibria of the call auction we show that informational efficiency (which is inversely proportional to the average distance between the call auction price and the true value) increases in the probability of insider trading. This hypothesis is not confirmed in our experiment, the ability of call auction prices to reflect the true value does not improve with a high probability of insider trading. In general, the call auction prices are significantly higher than the true value of the asset.

Author(s): Tobias Brunner and Rene Levinsky
Topic: Markets: Finance, Markets: Auctions
[Back to session: Finance 1](#)

Behavior in Parimutuel Betting Markets

Joshua Miller, joshua.miller@unibocconi.it
Bocconi University

ABSTRACT:

Parimutuel wagering markets have attractive features, both as test beds for financial market theory, and as mechanisms for aggregating information. Recent analyses of the role of private information in these markets suggest that its presence may induce informed bettors to refrain from betting until the final opportunity to bet, creating a simultaneous move game among informed bettors. We conduct a laboratory experiment to test theories of behavior in simultaneous move parimutuel betting markets.

Author(s): Joshua B. Miller and Martin Dufwenberg

Topic: Games: Information, Markets: Finance

[Back to session: Finance 1](#)

Asset Market Bubbles and the 'End of the World' Problem

Miroslav Zajicek, miroslav.zajicek@vse.cz
University of Economics, Prague

ABSTRACT:

After more than 20 years of follow-up research, the incidence of asset market bubbles identified in the original paper by Smith et al. (1988) still holds almost regardless of the circumstances, with the only exception being super-experienced traders. Experimental asset markets appear to be prone to bubble creation. However, the experimental feature that has not been explored is the fact that at the end of each experiment, subjects face a highly unrealistic situation: 'the end of the world' (EoW). EoW is the common knowledge that there is no activity after that particular moment and at the same times she/he knows that others know etc. ad infinitum. If there is a bubble in the market, then all subjects can estimate the time of the crash simply out of the fact that everyone knows in advance when the end of trading for all participating subjects, i.e. the EoW, will arrive. In a series of experiments, we construct two completely new experimental environments. The first one with a series of n overlapping generations of traders (OLG); out of n -generations, $n-1$ will know that there is no end of trading (or the world) for them in a given period. The second one applies random ending of the experiment. In any of those environments asset market bubbles did not disappear and there seems to be a consistent positive difference between market price and fundamental value. After more than 20 years of follow-up research, the incidence of asset market bubbles identified in the original paper by Smith et al. (1988) still holds almost regardless of the circumstances, with the only exception being super-experienced traders. Experimental asset markets appear to be prone to bubble creation. However, the experimental feature that has not been explored is the fact that at the end of each experiment, subjects face a highly unrealistic situation: 'the end of the world' (EoW). EoW is the common knowledge that there is no activity after that particular moment and at the same times she/he knows that others know etc. ad infinitum. If there is a bubble in the market, then all subjects can estimate the time of the crash simply out of the fact that

everyone knows in advance when the end of trading for all participating subjects, i.e. the EoW, will arrive. In a series of experiments, we construct two completely new experimental environments. The first one with a series of n overlapping generations of traders (OLG); out of n -generations, $n-1$ will know that there is no end of trading (or the world) for them in a given period. The second one applies random ending of the experiment. In any of those environments asset market bubbles did not disappear and there seems to be a consistent positive difference between market price and fundamental value.

Author(s): Miroslav Zajicek
Topic: Markets: Finance, N/A
[Back to session: Finance 2](#)

Cognitive Bubbles

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UCSC

ABSTRACT:

Recent findings indicate that subjects do not fully understand the payoff structure in experimental asset markets a la Smith et al. (1998). Moreover the occurrence (and size?) of bubbles has been linked to the cognitive ability of subjects. In order to cleanly identify the influence of cognitive ability on asset market behavior, we conduct a two session experiment. In the first session, we identify subjects cognitive ability, their ability to reason strategically and their ability to do backward induction. In a second session, we separate subjects by what we call their 'cognitive capability', a joint measure of the characteristics assessed in the first session. In two treatments, subjects of only high (low) cognitive capability play in an experimental asset market. Our preliminary results show that asset markets populated by only subjects with high ability rarely bubble, while asset markets populated by only low ability subjects exhibit the classic bubbling pattern seen in the numerous replications of Smith et al. (1988).

Author(s): Ciril Bosch-Rosa and Thomas Meisner
Topic: Markets: Finance, Psychology and Biology: Cogonition
[Back to session: Finance 2](#)

Unleashing Animal Spirits - Self-Control and Bubbles in Experimental Asset Markets

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ABSTRACT:

We exogenously vary the ability to exert self-control of traders in experimental asset markets. Markets with participants with lower self-control capacities exhibit substantially higher price bubbles. Not only does mispricing increase compared to the control condition, but also overpricing is larger when participants lack the resources to exert self-control. Our treatment effect cannot be explained by

differences in cognitive capacities or risk attitudes, since measures for both seem unaffected by our treatment. This study therefore suggests that reduced self-control can contribute to the emergence of bubbles in experimental markets.

Author(s): Martin Kocher, Konstantin Lucks, David Schindler

Topic: Markets: Finance, N/A

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Bubbles, experience and success

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ABSTRACT:

Previous research has shown that bubbles commonly observed in experimental asset markets can be eliminated with even just a proportion of experienced traders in the market (King et al., 1993; Dufwenberg et al., 2005; Xie and Zhang, 2013). However, a closer look at the data suggests that this effect may be dampened or even reversed if the experienced traders are also the historically more successful traders. The results of an experiment designed to test this hypothesis allow us to shed light on the robustness of the experience effect and test the consistency of previous bubble and earnings results.

Author(s): Dmitry Gladyshev, Owen Powell, Natalia Shestakova

Topic: Markets: Finance, N/A

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A Futures Market Reduces Bubbles but Allows Greater Profit for More Sophisticated Traders

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ABSTRACT:

We study the effect of the addition of a futures market, trading contracts maturing in the last period of the life of the asset in an experimental market. Our experiment has two treatments, one in which a spot market operates on its own, and a second treatment in which a spot and futures market are active simultaneously. We find that the futures market reduces spot market mispricing among a population prone to bubbles, while having no effect on mispricing in a group not prone to it. Overall, futures markets aid price discovery in the spot market, though they exhibit mispricing themselves. Individuals with higher cognitive reflection test (CRT) scores achieve greater earnings, as they tend to sell in the overpriced futures market, while people with lower CRT score tend to purchase in the futures market.

Author(s): Charles Noussair, Steven J. Tucker, and Yilong Xu

Topic: Markets: Finance, N/A

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An Experimental Analysis of Bubble: Private Information and Trading Behavior

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ABSTRACT:

Why a bubble occurs is partly explained by asymmetric information or the interaction between rational and behavioral investors. In this paper, we experimentally investigate the relationship between investor's perceptions about the existence of asymmetric information and trading behavior. When it is common knowledge that private information may exist but no such information exists in actuality, investors tend to make perceptions about unknown information related to stock prices. A bubble occurs after investors believe that stock prices could accurately reflect private information. This mechanism of bubble emergence is different from that discussed in past studies on asymmetric information or interaction. In this study, we prepared two treatments: treatment A: no investor has actual private information and treatment B: some investors have private information. We employed a within subject design wherein the subjects traded stocks first under treatment A, next under treatment B, and finally, under treatment A again. In the first treatment A, we found that the stock price was almost fair considering the expected value of dividends. In treatment B, the stock price converged to the price that fully reflects private information. In the second treatment A, the stock price did not converge to the fair price. The investors behaved as per treatment B, thereby creating a bubble in the market. This result confirms that trading behavior differs according to investors' perception about the existence of private information.

Author(s): Munenori Nakasato, Tomoki Kitamura

Topic: Markets: Finance, N/A

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Your Money is in Good Hands: An Experiment about Pecuniary Sanction and Accountability in Agency Dilemmas

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ABSTRACT:

Very often risky decisions are taken by individuals who not only do not bear the decisions' consequences, but also have incentives to act against the interests of another party. With this work, we want to contribute to the experimental literature on delegated risky decisions: when decisions on behalf of others are studied, results are often contradictory and the source of the agency dilemma (monetary conflict of interest) is generally ignored. We skirt this limitation by introducing, in our experimental design, an explicit trade-off in players' payoffs. We examine the following main questions: Do managers

respect their clients' risk preferences when managing their money? Do managers take advantage of the opportunity offered by managing others' money for pursuing their own interests even if this implies a loss of welfare for the counterpart? Can managers' compliance be enforced and sustained with a threat of punishment and/or with perfect accountability of managers' investment strategies? We investigate behaviour in risky choices in a two-player game: one player is the decision maker (fund manager) and has to decide how much invest in four different prospects on behalf of the second player (client). In our experiment, fund managers get a management fee proportional to the invested amount. Fund managers do not share with their client the risk of the investment and they are not required to give information about investment strategy. Under these conditions, managers tend to deviate from the disposition of their clients in order to gain higher management fees. This tendency is not reduced, if taken alone, by a threat of monetary punishment or the obligation to explain manager's investment strategy. In other words, managers continue to act in opportunistic manner when they can either (i.) hide behind the client's scarce knowledge of the environment or (ii.) rely on a clients' non-pecuniary reaction. Managers do align their investment strategies with the clients' profiles when they are required to inform the client on the investment strategy and can at the same time be monetarily punished. Actual monetary punishment is rarely applied. Regardless of this, monetary punishment represents, if combined with the investment strategy's full information, a credible threat for managers which pushes them to comply with the clients' disposition. The presence of a threat of monetary punishment in combination with full information on the managers' actions can increase social welfare by avoiding investments of clients' resources in prospects that do not reflect their risk profiles.

Author(s): Sandro Casal, Matteo Ploner, Alec N. Sproten

Topic: Decision Theory: Preferences, Markets: Finance

[Back to session: Finance 3](#)

Leader transparency in a sequential leader/follower game

**Philip Grossman, philip.grossman@monash.edu
Monash University**

ABSTRACT:

Leaders invariably state that they value transparency and believe in full disclosure, but claims of transparency are often not verifiable before followers must act; completeness and veracity may only be determined after the fact. We apply game theory and experimental economic techniques to the issue of leader transparency. We use the economic concept of a leader; an average player distinguished by the mere occupancy of the leadership position whose legitimacy derives from possession of superior information. We test experimentally if leaders, when given a choice, actually reveal a preference for transparency. We consider three treatments: in treatment one, followers know their leader's investment decision but not the investment scenario; in treatment two, followers know the investment scenario but not their leader's investment decisions; and in treatment three, followers know neither their leader's investment decision nor the investment scenario. Leaders choose whether to play a complete-information sub-game or an asymmetric-information sub-game. We find that a leader's decision to be transparent depends on both the investment scenario and the information the followers currently possess.

Author(s): Philip J Grossman and Mana Komai

Topic: Social Behavior: Group Behavior, Social Behavior: Communication

[Back to session: Teams](#)

Teams Contribute More And Punish Less

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ABSTRACT:

Many decisions in politics and business are made by teams rather than by single individuals. In contrast, economic models typically assume an individual rational decision maker. A rapidly growing body of (experimental) literature investigates team decisions in different settings. We study team decisions in a public goods contribution game with a costly punishment option and compare the group decisions to those of individuals in a laboratory experiment. We also consider different team decision-making rules (unanimity, majority). We find that teams contribute significantly more and punish less, regardless of the team decision rule. Overall, teams yield higher payoffs than individuals.

Author(s): Heike Auerswald, Carsten Schmidt, Marcel Thum, Gaute Torsvik

Topic: Social Behavior: Group Behavior, Public Choice: Public Goods and Common Pool Resource

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Does the fear of exclusion improve team-production?

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ABSTRACT:

In experiments on standard weakest-link games, groups usually coordinate on the worst equilibrium. In this paper, we investigate if the fear of exclusion explains the difference between these experimental results and observations in actual labor markets where teams often perform better. We include a manager in the game whose preferences are aligned with the team members. This manager can decide to replace some of the workers at a cost. Our treatment variables are the information the manager observes about the actual effort levels of the workers (full information vs. noisy signal), and the contract type (workers can be fired every period / never / start with a probation phase). Our results show that the fear of exclusion has a profound effect on team performance; the most flexible contract induces the highest output, and the one with no firing possibility leads to the lowest one. Effort levels decrease in probation once the fear of exclusion is removed. There is no difference between the workers' effort choices across noise and no noise settings for a fixed contract type.

Author(s): Anita Kopanyi-Peuker, Theo Offerman, Randolph Sloof

Topic: Games: Coordination, Social Behavior: Group Behavior

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Are teams less inequality averse than individuals?

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GATE (CNRS-University Lumiere Lyon 2- ENS) & IZA, Bonn

ABSTRACT:

We compare inequality aversion in individuals and teams by means of both within- and between-subject experimental designs, and we investigate how teams aggregate individual preferences. We find that team decisions reveal less inequality aversion than individual initial proposals in team decision-making. However, teams are no more selfish than individuals who decide in isolation. Individuals express strategically more inequality aversion in their initial proposals in team decision-making because they anticipate the selfishness of other members. Members with median social preferences drive team decisions. Finally, we show that social image has little influence because guilt and envy are almost similar in anonymous and non-anonymous interactions.

Author(s): Haoran He, Marie Claire Villeval

Topic: Social Behavior: Group Behavior, Social Behavior: Other-regarding Preferences

[Back to session: Teams](#)

Distributional Concerns in Compensation Schemes: A gift Exchange Experiment

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ABSTRACT:

Equity implementation in the rewards system is one of the most controversial topics in organizational management. In this paper, we study how principals reward their workers in an environment characterized by contractual incompleteness. We use a gift exchange game in the experiment, where every principal is matched with two agents. Our design includes four scenarios: 1) different productivities among agents with complete information; 2) different productivities among agents with pay secrecy; 3) different effort cost among agents with complete information; and 4) different effort cost among agents with pay secrecy. Contrary to what one could expect, we show that secrecy does not affect compensation differences among agents. This is not in line with the notion that agents' equity concerns are a justification to apply certain pay policies such as pay secrecy or pay compression. Moreover, effort and individual differences play a larger role in rewards more than productivity.

Author(s): Brands, J. Ortiz, J. M. and Sola?, C.

Topic: Applied Economics: Labor Market, N/A

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Eliciting Worker Type: Opportunistic, Norm-Based or Reciprocal

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ABSTRACT:

In a principal-agent setting, it is often argued that workers are motivated by elements of contracts other than piece-rate incentives. We consider three possible types of agents: opportunistic workers who are motivated only by incentives; norm-based workers, whose effort is determined by the level suggested by the employer; and reciprocal workers who exert more effort in the face of a larger fixed payment. We elicit these types by having subjects complete three sets of contracts. Each contract consists of three elements: the piece rate, the suggested effort level, and the fixed payment. Each set of contracts varies one element of the contract. The experimental design consists of 30 contracts each for two work environments, a for-profit firm and a socially responsible firm. A given subject completes the 30 contracts for one work environment. Using a finite mixture model, we find that about half of subjects are motivated primarily by the piece-rate incentive, and choose an effort level that maximizes their earnings. However, a significant fraction of subjects are motivated by higher suggested effort levels, or higher fixed payments, or both. The proportion of agents in the latter group is larger for the socially responsible firm environment. This study develops a new methodology for detecting worker types, and illustrates the distribution of types, contingent on the mission of the employing firm.

Author(s): Catherine C. Eckel, Ericka Scherenberg-Farret

Topic: Applied Economics: Labor Market, Social Behavior: Norms and Morals

[Back to session: Labor Market 1](#)

Employee Behavior and Resistance to Reform - An Experimental Analysis

Philipp Krugel, kruegel@uni-bremen.de
University of Bremen

ABSTRACT:

In their influential paper, Fernandez and Rodrik (1991) [Fernandez, R. and D. Rodrik (1991). Resistance to Reform: Status Quo Bias in the Presence of Individual-specific Uncertainty. *The American Economic Review* 81 (5), 1146-1155] showed that efficiency-enhancing but inequality-increasing reforms often fail to be adopted due to uncertainty: There is a tendency towards the status quo whenever winners and losers of reform are not clearly identified beforehand. In this research project, I experimentally test whether employees have an incentive to block efficiency-enhancing reforms or transformations that are supposed to be implemented within the company they work for, thus constituting a status quo bias. As a presupposition, I assume that a reform can only be adopted if the employees supply a certain amount of work effort. In this scenario, employees are able to decide on ('vote on') the reform using their level of effort. This leads to two research questions: Can failure to adopt reforms in a company be attributed to the behavior of employees? And secondly: Do higher wages ('fair wages') contribute to a successful adoption of reforms due to reciprocity? I set up a model that was subsequently tested in a laboratory experiment. The experiment was conducted during 8 sessions in March 2014 at the experimental laboratory of the University of Bremen. There were 212 subjects who participated in 4 different treatments. The basic experimental design resembled the one put forth in 'gift-exchange experiments' [e.g. Fehr, E., G. Kirchsteiger and A. Riedl (1993). Does Fairness Prevent Market Clearing? An

Experimental Investigation. The Quarterly Journal of Economics 108 (2), 437'459]. In each group one employer chose a wage and 5 employees then decided on an effort level. If the majority of the employees chose the costly option 'high effort', a reform was put in place that was profitable but also increased inequality among the employees. Additionally, there was uncertainty regarding the employees' individual gains and losses resulting from reform. The experiment was designed in such a way that both rejecting and (narrowly) passing the reform would represent Nash equilibria. Looking at group outcomes, the results indicate that there is a bias towards the status quo in this setting. In the baseline-treatment 20 out of 45 reforms were passed (44 %). The number of adopted reforms decreased significantly when more uncertainty was introduced (treatment 2: 24 %) and when all employees in a group had to supply high effort in order to pass the reform (treatment 3: 9 %). Furthermore, in the instances when the employer of the group chose a higher wage, the average effort-level of employees increased. A comparison with a control-treatment in which wage was allocated automatically (treatment 4) shows that these effort-choices were driven by reciprocity.

Author(s): Philipp Krugel

Topic: Applied Economics: Labor Market, Social Behavior: Group Behavior

[Back to session: Labor Market 1](#)

The effects of youth non-employment and informal employment: A field experiment on recruitment decisions in Germany

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Technical University Berlin**

ABSTRACT:

We investigate the effect of spells of non-employment and informal employment of young Germans after leaving school on their chances of finding an apprenticeship position. We test whether potential negative effects of such spells can be mitigated by additional schooling, as predicted by human capital theory, but not by the theory of informational herding. Using a field experiment (audit study), fictitious applications of three individuals were sent out to every firm advertising a position for an apprenticeship of office manager in Berlin. One applicant was still in school, one applicant was out of school for two years and had worked in an informal job, and one applicant was out of school for two years but had done one year of additional optional schooling in the government-funded transition system. Our results show that new applicants are not more likely to get a positive callback compared to applicants who are out of school for two years, independent of their employment or additional training (no support for herding theory). However, among those out of school for two years, applicants with an additional year of schooling are significantly more likely to pass the hurdle than those without schooling and they are also more likely than those who are just finishing school. This can be explained with signaling and/ or human capital effects.

Author(s): Dorothea Kubler, Julia Schmid

Topic: Applied Economics: Labor Market, Field Experiments: General

[Back to session: Labor Market 1](#)

The public sector in the lab: the role of incentives

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ABSTRACT:

One of the ubiquitous differences between the public and the private sectors is the relative absence of high-powered incentives in the public sector. Whereas the private sector is typically characterized by performance-related incentive schemes and low job security, the public sector is typically characterized by low-powered incentives and high job security. We use controlled laboratory experiments to explore the implications of incentive power in the different sectors. In the first experiment, we test the relation of economic cycles and subjective wellbeing and job satisfaction. We find that workers in the public sector become less satisfied as their material welfare increases, as their relative standing compared to comparable workers in the private sector decreases. This effect varies with the determinants of material payoff and with the dimensions of satisfaction. In the second experiment, we use the controlled environment to disentangle the roles of selection and incentives in driving productivity levels in the two sectors. The results suggest that the high productivity in the private sector observed in natural environments is mostly driven by a selection effect. This is consistent with theoretical arguments existing in the literature.

Author(s): Oded Ravid & Ro'i Zultan

Topic: Applied Economics: Labor Market, N/A

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Influence Costs : Experimental evidence

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ABSTRACT:

In the standard economic framework, agency theory assumes that the interests of the agent may not coincide with those of the principal. This principal-agent relationship is typically characterized by a conflict due to informational asymmetries and the agent should be motivated or controlled to reveal the real information. In some cases, the employer is unable to tightly monitor his employee and need to rely on him for information to measure his performance. The selfish reasons that lead the agent to maximize his interest rather than the firm's interest could entail influence costs. According to Milgrom and Roberts (1988), influence costs are costs engendered by individuals' activities to provide information which makes them look good relative to others and to affect others' decisions to their benefit. Influence costs arise first because individuals and groups within the organization expend time, effort, and ingenuity in attempting to affect others' decisions to their benefit and secondly because inefficient decisions result either directly from these influence activities or, less directly, from attempts to prevent or control them (Milgrom and Roberts, 1988). The costs of influence activities depend on how the information is gathering, how decision is making and on reward systems in the organization. In this paper, we investigate some features of the influence costs theory. For this purpose, we conducted an experiment using virtual organization that embeds on-the-job leisure activities into the work environment (Corgnet,

Hernan and Rassenti, 2013). One of the originalities of our paper is the introduction of real-effort work tasks as well as real-time access to leisure activities (Internet). We focus on the discretion of principal regarding reward systems and on the capacity of the agent to influence the former by boosting his apparent production. According to influence costs theory, principal's discretion about rewards system matters and people are willing to expend resources to influence the manager but these influence activities may also provide useful information that could help the principal to make efficient decisions.

Author(s): Brice Corgnet , Ludivine Martin , Peguy Ndodjang and Angela Sutan

Topic: Applied Economics: Labor Market, Social Behavior: Lying and Cheating

[Back to session: Labor Market 2](#)

CEO vs Star Compensation: What Matters Most Talent or Loss Aversion?

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University Autonoma, Barcelona

ABSTRACT:

We study the determinants of salaries of workers that have 'guardian' characteristics and workers that have 'stars' characteristics. Guardians are workers who can, depending on their effort levels, contribute positively to firm output but who can also substantially hurt the firm. Stars are workers who, in general, can only have positive impact on the firm's profit. CEOs can be seen as a special case of guardian worker, since they can perform highly like stars, but can also ruin firms' profits by exerting low effort, like guardians. Since the beginning of the financial crisis in 2007, CEOs' salaries have been in the eye of the storm for being too high, especially in the banking sector. At the same time, previous literature suggests that star workers have to receive high bonuses to elicit high performance. We use a gift-exchange design where an employer is matched with a worker with CEO features and one with star features. In a first treatment maximum effort of the CEO and of the star produce the same output, whereas minimum effort of the CEO leads to negative output and minimum effort of the star leads to zero output. We find that CEOs receive higher salaries than stars, although, for given effort, stars are never less productive than CEOs. In a second treatment, we compare the salaries of the same kind of CEO with those of stars who are more productive at any given effort levels but can never hurt the firm. We find that loss aversion effect increases after several rounds, favoring CEOs over stars.

Author(s): Jordi Brandts, Jose Maria Ortiz Gomez, Carles Sola?

Topic: Applied Economics: Labor Market, Decision Theory: Risk

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Performance Pay, Sorting and Employers' Choice: Can Tournaments be attractive for Workers and Employers?

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University of Mannheim

ABSTRACT:

In this project I analyze the payment system choices of managers and the self-selection of workers into different payment schemes in a real effort laboratory experiment. Managers decide between a fixed and two different variable payment schemes (a piece-rate and a rank-order tournament) for their workers. Depending on the stage of the experiment workers are either randomly tied to a manager and have to work under the payment scheme the manager chooses, or they state their preferences about the available payment schemes and are sorted into these payment schemes according to their preferences. Importantly, preferences of workers are more likely to be fulfilled for workers with good performances in an earlier stage of the experiment. While in the first case self-selection of workers into specific payment schemes is not possible, it is in the second case. Regarding the workers preferences, I find a self-sorting pattern that is similar to that of Dohmen and Falk (2011). Subjects who self-selected into the variable payment schemes (piece rate and tournament) are on average more productive than those who choose the fixed payment. Also most workers prefer the "safer" option piece rate compared to the more risky tournament, but if the tournament prize is sufficiently high a larger share of workers wants to be paid with a tournament. There is a clear incentive effect of the variable payment schemes. Workers getting paid with a piece rate or tournament provide more effort and complete more tasks in a given time. This incentive effect is expected by managers, who predominantly choose variable payment schemes under all conditions. Also for the managers the piece rate contract is preferred over the tournament. When the tournament becomes cheaper for the managers (lower prizes) the tournament becomes more attractive to them and consequently it is chosen more often. This effect is observed in all environments, independently of whether self-selection of workers is possible or not. There is no performance difference between the two variable payment schemes if the payment scheme is given to the workers. When the tournament is attractive for workers (high prize) the managers are on average equally well off under the piece rate and the tournament payment due to the self-selection of productive workers. But when the tournament prize is lower the strongest workers self-select into the piece rate contract. Therefore in this treatment managers who choose a tournament earn less than those who offer a piece rate. The experiment yields various interesting results with regard to the question under which conditions a tournament might be more profitable for employers. My results suggest that a tournament is as incentive inducing as a piece-rate for high productivity workers, but this is only effective if workers can self-select into a tournament. If the incentives, given by the tournament prize, are large enough for the most productive workers to prefer a tournament over a piece-rate, the costs of the tournament are so high that managers are not better off compared to a piece-rate. But when the tournament prize is reduced and therefore the tournament becomes cheaper for managers, it is no longer attractive for the most productive workers. Since the most productive workers do not select into the tournament, employers offering a piece-rate generate larger profits than those that offer the tournament. These findings show that in conditions in which a piece-rate payment is possible rank-order tournaments are hardly simultaneously attractive for workers and employers.

Author(s): Timo Hoffmann

Topic: Applied Economics: Labor Market, Games: Contests

[Back to session: Labor Market 2](#)

Tournament design with non-equilibrium beliefs

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ABSTRACT:

Relative performance pay, such as tournaments, is an important tool for incentivising employees. However, recent evidence from the field and from lab experiments shows that relative performance schemes split the labor force into two groups: One group of workers exerts very high effort while the other group does not work at all (Muller and Schotter, 2010). In the first part of this study we show that a level-k model of non-equilibrium beliefs can explain this bifurcation of behavior. We then use the insights from the level-k analysis to design a new tournament mechanism that does not discourage parts of the workforce from exerting effort. Finally, we conduct a lab experiment to compare the performance of our proposed tournament mechanism to a traditional tournament.

Author(s): Tobias Bruenner

Topic: Games: Contests, Markets: Auctions

[Back to session: Contests](#)

Person Organization Fit and Incentives: A Causal Test

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Hanken School of Economics & HECER

ABSTRACT:

We investigate the effects of organizational culture and personal value orientations on performance under individual and team contest incentives. We develop a model of regard for others and in-group favoritism predicting interaction effects between organizational culture and personal values in the contest games. The predictions are tested in a computerized lab experiment with exogenous control of both organizational culture and incentives. In line with our theoretical model we find that prosocial (proself) orientated subjects exert more (less) effort in team contests in the primed prosocial organizational culture condition, relative to the neutrally primed baseline condition. Further, when the prosocial organizational culture is combined with individual contest incentives, prosocial subjects no longer outperform their proself counterparts. These findings provide a first, affirmative, causal test of person-organization fit theory. They also suggest the importance of a 'triple-fit' between personal preferences, organizational culture and incentive mechanisms for prosocially orientated individual

Author(s): Ola Andersson, Marieke Huysentruyt, Topi Miettinen, Ute Stephan

Topic: Games: Contests, Social Behavior: Other-regarding Preferences

[Back to session: Contests](#)

Competing Openly or Blindly in Crowdsourcing Contests?

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Tsinghua University

ABSTRACT:

Organizations are increasingly outsourcing tasks once performed in-house to wider participants on the Internet by hosting online contests. In practice, two types of mechanisms are used to organize these

contests: simultaneous (blind) and sequential (open). In a simultaneous contest, contestants submit their solutions independently without access to one another's submissions, while in a sequential contest, contestants submit their solutions sequentially and each can view all prior submissions before making their decisions. Most prior theoretical and experimental research has focused on simultaneous contests, with only a handful that have studied sequential ones. In this paper, under the condition of incomplete information, we analytically show that simultaneous contests produce higher quality best solutions than sequential contests. Using a laboratory experiment, we test this theoretical prediction as well as the prediction that simultaneous contests are more efficient than sequential contests. Our data support both predictions. We also discover that as the number of contestants increases, the efficiency of sequential contests drops significantly, further reducing their performance relative to simultaneous contests.

Author(s): Lian Jian, Zheng Li, Tracy Xiao Liu

Topic: Games: Contests, Applied Economics: Labor Market

[Back to session: Contests](#)

The Strong, the Weak and the Lucky: An Experimental Investigation of Different Resolution Rules in Asymmetric All-Pay Contests

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Hebrew University of Jerusalem

ABSTRACT:

Many competitions involve contestants who are not symmetric; often, contestants have unequal resources to invest. In an experimental study, we explore the influence of resource asymmetry in various contests in which all investments are nonrefundable ('all-pay contest'). We ask whether introducing randomness to the method of determining the competition winner changes the impact of asymmetry. We employed either noise added to the investments, or a probabilistic resolution function ('Tullock contest') in repeated contests. We found that the noisy contest led to higher investments compared to the sure contest, but that the effect of asymmetry remained the same as in the sure contest. Conversely, investments in the probabilistic contest were similar to those in the sure contest, but the influence of asymmetry was greatly reduced. Round to round investment dynamics were affected by the previous outcome (win or loss) in all contests; this effect was differently related to previous investment in the probabilistic contest. The different investment patterns imply that the three contest resolution rules are beneficial for different purposes: Either changing the overall degree of effort, or decreasing the influence of inequality among the contestants.

Author(s): Einav Hart, Judith Avrahami, Yaakov Kareev

Topic: Games: Contests, Public Choice: Voting and Rent Seeking

[Back to session: Contests](#)

Heterogeneity in Preferences towards Complexity

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ABSTRACT:

We analyze lottery-choice data in a way that separately estimates the effects of risk aversion and complexity aversion, and allows both of these to vary between individuals, and also to change with experience. The data is from an experiment in which 80 subjects engage in a sequence of 54 choices between pairs of lotteries. The lotteries always have the same expected value, but they differ in terms of variance and the level of complexity. Complexity is represented by the number of different outcomes in the lottery, and is either 1 (sure win), 3 (simple), 6 (complex) or 27 (very complex). A finite mixture random effects model is estimated which assumes that a proportion of the population are complexity neutral, and we find that around 32% of the population are complexity neutral. In those subjects who do react to complexity, there is a bias towards complexity aversion at the start of the experiment, but complexity aversion reduces with experience, to the extent that the average subject is complexity neutral by the end of the experiment. Around 23% of subjects appear complexity loving. Some of these findings are consistent with switching patterns seen in the choice data. Complexity aversion is found to increase with age, and is found to be higher for non-UK students than for UK students.

Author(s): Peter G Moffatt, Stefania Sitzia, Daniel John Zizzo

Topic: Decision Theory: Risk, Decision Theory: Preferences

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Market Experience and Adaptive Loss Aversion

Luke Lindsay, luke.lindsay@gmail.com

University of Exeter

ABSTRACT:

Many studies have found a gap between willingness-to-pay and willingness-to-accept that is inconsistent with standard theory. There is also evidence that the gap is eroded by experience gained in laboratory and naturally occurring markets. Motivated by these findings, I develop a new bounded rationality model of trading called adaptive loss aversion. It is assumed that people do not recognize that others have different information. Loss aversion makes them cautious about trading which protects them from losses that they would otherwise incur. The degree of loss aversion is modeled as a single variable λ that is adjusted in response to experience and carries over between games. A repeated market experiment with symmetric and asymmetric information is used to test and calibrate the model. The model's predictions are broadly supported. People do not react optimally under asymmetric information. When trading outcomes are better than expected, loss aversion decreases; when they are worse than expected, it increases.

Author(s): Luke Lindsay

Topic: Decision Theory: Risk, N/A

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Randomizing Endowments: The Promise and Problems of Expectation-Based Reference Points

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ABSTRACT:

The endowment effect is a reliable feature of human behavior: individuals value a good more when it is in their possession than when they are given the opportunity to buy that same good (Kahneman et al. 1990). It cannot be explained by the standard model, but can be rationalized by reference-dependent preferences that display loss aversion (Kahneman and Tversky 1979; 1991). Key to understanding the disparity between buying and selling prices is to understand where the different reference points for buyers and sellers come from. In this project, we test the Koszegi-Rabin (2006) model that proposes that the reference point is formed in rational expectations. We conduct a series of standard endowment effect experiments ' starting with coffee mugs and ending with immediate consumption goods as well as bads. The crucial novelty in our design is that with probability p , we force sellers to exchange their mug at the market price even if they did not want to, and buyers to buy the mug even if they chose not to. If reference points are driven by expectations, the possibility of a forced exchange prevents sellers from expecting to keep the mug, and should thus lower their selling price. The KR model makes clear predictions in such a setting: With an increasing probability of forced exchange the endowment effect should diminish, disappear and even reverse. However, introducing probabilistic forced exchange does nothing to the endowment effect, neither in the mug setting nor in immediate consumption. The endowment effect is a persistent result across all conditions. Our results are robust to first-focus concerns and to the Plott and Zeiler critique on endowment effect experiments. We overwhelmingly reject each of the predictions of the KR model. Our results provide strong evidence against the hypothesis that reference points are shaped by expectations.

Author(s): Lorenz Goette, Annette Harms, Charles Sprenger

Topic: Decision Theory: Preferences, N/A

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Probability weighting in different domains: the role of stakes, fungibility, and affect

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ABSTRACT:

This paper reports the results of a laboratory experiment in which probability weighting functions for risky gains were elicited non-parametrically in over 500 incentivized subjects. I compare probability weights for monetary rewards to two less fungible domains involving vouchers for different types of consumption, inducing stronger or weaker (positive) emotions. The level of stakes was also manipulated. I find that the probability to win monetary rewards is weighted almost linearly in the high stakes condition, the probability to win vouchers associated with positive affect is underweighted and the probability to win affect-poor vouchers is strongly underweighted. Substantial underweighting also prevails in all three domains in the low stakes condition.

Author(s): Michal Krawczyk

Topic: Decision Theory: Risk, Psychology and Biology: Emotions

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Preferences for decision rights

**Claudia Neri, claudia.neri@unisg.ch
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ABSTRACT:

We propose a theoretical foundation for preferences for decision rights, driven by preferences for freedom, no-interference and power, which can lead subjects to value decision rights intrinsically, i.e. beyond the expected utility associated with them. We conduct a novel laboratory experiment in which the effect of each of such preferences can be disentangled. The experimental design combines a bidding stage in which a decision right is allocated between two players and a decision stage in which the player holding the decision right exercises it, generating payoff consequences for both players. Risk preferences are elicited via an additional lottery game. Our experiment finds evidence of a strong role of preferences for no-interference, which suggests that individuals value decision rights not because of the actual decision making process, but rather because they have preferences against others intervening in their outcomes.

Author(s): Claudia Neri, Hendrik Rommeswinkel

Topic: Decision Theory: Preferences, Games: Other

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Economic Preferences and Sexual Infections

**Julian Jamison, julison@gmail.com
Federal Reserve Bank, Boston**

ABSTRACT:

High discount rates have been hypothesized as one explanation for risky sexual behavior in populations at high risk for HIV. We use data from Tanzania to provide the first evidence (as far as we are aware) relating economic preferences to biologically measured sexual health outcomes. We find that sexually transmitted infections are more common in individuals with lower risk aversion and lower future orientation, as measured by experimental elicitation procedures, but we find no relationship with time inconsistency. We also study the temporal stability of preferences in this population, as measured using different approaches.

Author(s): Damien de Walque, William Dow, and Julian Jamison

Topic: Decision Theory: Preferences, Methodology: Lab, Field and External Validity

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Eye Movement Analysis of Time Discounting

**Hirofumi Kurokawa, hirofumi.96kawa@gmail.com
Osaka University**

ABSTRACT:

This paper reveals the process of solving a time discounting task with eye tracking. There is a hypothesis that time discounting anomalies such as present bias result not from calculating present discount values of smaller-earlier and larger-later rewards, but from separately comparing attributes such as the timing of receipts and the amounts of rewards. However, our eye movement data show that the proportion of saccades when comparing each option holistically, which implies subjects calculate present discount values, is significant large and is nearly equal to that of saccades when comparing attributes separately. The saccade, when comparing an earlier option holistically, is initially a high likelihood and then the saccades gradually combine the saccade comparing each option holistically with the saccade comparing attributes separately at the same likelihood. Combining our experimental results and previous research, we support the attention-focusing hypothesis, which implies that when the timing of receipts is written as a delay, subjects are more prone to calculate the discounting rate than when it is written as a date.

Author(s): Hirofumi Kurokawa and Fumio Ohtake

Topic: Decision Theory: Preferences, Psychology and Biology: Cognition

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Individual Discount Rates and Assumptions on the Consumption of Rewards

**Lasse J. Jessen, lasse.j.jessen@gmail.com
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ABSTRACT:

Estimation of individual discount rates is sensitive to assumptions about consumption smoothing, i.e. the spending period and pattern of income from incentivized discounting tasks. We use data from a Danish field experiment and review the dual-self model by Fudenberg and Levine (2006). The dual-self model asserts that spending periods and patterns depend on when the income is received, with immediate payments being spent almost instantly whereas delayed payments are spent over longer periods of time. A single-self model on the other hand asserts that the spending periods and patterns are independent of when the income is received. We find implausible estimates of individual discount rates using the dual-self model, and empirical support in favor of the single-self model.

Author(s): Lasse J. Jessen and Morten I. Lau

Topic: Decision Theory: Other, Methodology: Experimental Design, Tools and Practices

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Balancing the Current Account - Experimental Evidence on Boundedly Rational Behavior

**Marcus Giamattei, marcus.giamattei@uni-passau.de
University of Passau**

ABSTRACT:

Will current account imbalances automatically revert back to their equilibrium levels? If this process is impeded, how may politics contribute? This research question has been at the center of the historical debate between Keynes and White in 1944 and is increasingly debated today. The core issue is whether adjustments by deficit countries should be complemented by those of surplus countries. We investigate this question by assuming non-standard belief formation in a non-stationary macroeconomic environment and hypothesize that convergence towards equilibrium might be impeded. A level-k model predicts deviations from the Nash equilibrium and a deflationary bias if surplus countries are not forced to adjust (the White-Plan). We run an experiment where six subjects each obtain the role of an adviser to simultaneously determine levels of consumption. In line with the Keynes-plan, subjects are penalized for current account imbalances ' either deficits or surpluses. If only deficits are punished, as proposed by White, we observe that consumption is persistently reduced. We thus find support for a deflationary bias for behavioral but not for rational reasons.

Author(s): Marcus Giamattei, Johann Graf Lambsdorff

Topic: Markets: Macroeconomics, Decision Theory: Bounded Rationality

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Do Tax Cuts Increase Consumption? An Experimental Test of Ricardian Equivalence

**Davud Rostam-Afschar, davud.rostam-afschar@fu-berlin.de
Free University, Berlin**

ABSTRACT:

This paper tests whether the proposition of Ricardian Equivalence holds in a life cycle consumption laboratory experiment. This proposition is a fundamental assumption underlying numerous studies on intertemporal choice and has important implications for tax policy. Using non-parametric and panel data methods, we find that the Ricardian Equivalence proposition does not hold in general. Our results suggest that taxation has a significant and strong impact on consumption choice. Over the life cycle, a tax relief increases consumption on average by about 22% of the tax relief. A tax increase causes a reduction of consumption by about 30% of the tax increase. These results are robust with respect to variations in the difficulty to smooth consumption. In our experiment, we can classify the behavior of about 62% of our subjects to be inconsistent with the Ricardian proposition. Our results account for dynamic effects as we find that taxation influences consumption in more than the current period.

Author(s): Davud Rostam-Afschar and Thomas Meissner

Topic: Decision Theory: Risk, Decision Theory: Bounded Rationality

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The effect of uninformed buyers on prices in posted-price directed-search markets: experimental evidence

**Nick Feltovich, nicholas.feltovich@monash.edu
Monash University**

ABSTRACT:

It is nearly universally assumed that providing buyers with more information about price will lead to lower prices. A recent article (Lester, 2011) shows that in a model with capacity constraints, posted prices and directed search, increasing the fraction of informed buyers can actually lead to increased prices. However, whether such an increase actually occurs is an empirical question: theoretically, it is seen in only one of the multiple equilibria that exist; and behaviourally, it relies on buyers' having the appropriate level of off-the-equilibrium-path price responsiveness, while previous experiments have found under-responsiveness. We test Lester's conjecture using a lab experiment. Subjects play the roles of buyer and seller in markets with 2 sellers and 2 or 3 buyers, with either zero or one uninformed buyer. In the 2-buyer market, changing the uninformed buyer to informed is predicted to lead to lower expected prices, while the same manipulation should lead to higher prices in the 3-buyer market. We find mixed support for the theoretical predictions: we observe the predicted effect in the 2-buyer market but not in the 3-buyer market. We examine the possibility that the effects we observe are due to differences in price responsiveness by buyers.

Author(s): Nejat Anbarci, Nick Feltovich

Topic: Markets: Macroeconomics, Markets: Industrial Organization

[Back to session: Macroeconomics](#)

Endogenous versus exogenous ambiguity

**Daniela Grieco, daniela.grieco@unibocconi.it
Bocconi University**

ABSTRACT:

This paper aims at disentangling 'exogenous' and 'endogenous' ambiguity. Ambiguity has multiple sources: it can derive from lack of information on possible scenarios that are 'external' to the decision-maker or can be a consequence of the her ignorance on own relative position as compared to other individuals. Both types of ambiguity are difficult to measure, interact with risk-attitudes and strongly depend on the context. We design a laboratory experiment composed by five treatments that point to answer to two main research questions. The former is concerned with responsibility, that is likely to be perceived differently according to the outcome to descend from subject's own choices and ability only, or depend on other people's ones. The latter is related to the way how competence in a specific task affects preferences for both types of ambiguity.

Author(s): Daniela Di Cagno and Daniela Grieco

Topic: Decision Theory: Ambiguity, N/A

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Beliefs and Ambiguity Attitudes for Natural Sources of Uncertainty

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University of Rennes 1

ABSTRACT:

This paper measures people's beliefs about ambiguous events. Our measurements require five simple choices at most and they allow for risk aversion and deviations from expected utility, including ambiguity aversion. The separation of beliefs and ambiguity attitudes makes it possible to test the descriptive validity of ambiguity models. An experiment using two natural sources of uncertainty (temperature in Rotterdam and in New York City) showed that beliefs were well-calibrated and robust. Most subjects deviated from subjective expected utility. One fifth behaved according to expected utility with utility depending on the source of uncertainty. The remaining four fifths had the same utility for the two sources of uncertainty, but different event weighting. The preferences of these subjects were consistent with the multiple priors models of decision under ambiguity, Choquet expected utility, and prospect theory.

Author(s): Mohammed Abdellaoui, Han Bleichrodt, Emmanuel Kemel, Olivier L'Haridon

Topic: Decision Theory: Ambiguity, Decision Theory: Preferences

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Ambiguity attitudes and borrowing behavior

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ABSTRACT:

Since Ellsberg (1961) showed that people have a preference for risky over ambiguous prospects that are equivalent under subjective expected utility, a vast amount of literature has studied the causes of ambiguity aversion. Depending on the particular outcome domain, the underlying source and likelihood of uncertainty, people can also display ambiguity seeking behavior. The term A-insensitivity (ambiguity-generated likelihood insensitivity) relates to the phenomenon that the same individual usually overweights low levels of likelihood and underweights high levels of likelihood. Despite these findings, few studies have tried to find evidence for ambiguity attitudes and their effects outside the laboratory. Empirical studies that have focused on external validity find that ambiguity attitude measured in the laboratory is pervasive in real life choices. For instance it has been found that A-insensitivity has a negative relation with stock market participation and private business ownership (Dimmock et al., 2012), ambiguity aversion influences smoking behavior in adolescents (Sutter et al., 2013) and that Peruvian farmers who avoid ambiguity in an experimental task are less likely to adopt

new varieties of crop (Engle-Warnick et al., 2007). In this study we measure students' ambiguity attitudes in the laboratory and study its relationship with real life borrowing behavior. We test whether students borrow more when they are ambiguity loving and how A-insensitivity relates to real borrowing behavior 233 subjects participated in an incentivized laboratory experiment. We collected decisions in four separate tasks and administered a questionnaire that asked about their real life borrowing behavior regarding student loans. Ambiguity preferences were elicited based on matching probabilities of three ambiguous likelihood events: 0.1 (1 winning color in 10-color ambiguous urn), 0.5 (1 winning color in a 2-color ambiguous urn) and 0.9 (9 winning colors in 10-color ambiguous urn). Based on these three individual matching probabilities we can measure ambiguity aversion and A-insensitivity. Our fourth task was a risk elicitation based on certainty equivalents. We find no general ambiguity aversion in our sample, but strong A-insensitivity. Subjects overweight the low likelihood of 0.1 relatively more than they underweight the high likelihood of 0.9. About 1/3 of all students borrow on a monthly basis. We find that the amount that a student borrows is influenced by ambiguity preferences: the more ambiguity seeking, the more money a student borrows. We also find that less overweighting of extreme events is a predictor for the amount that a subjects expects to borrow during the course of his/her university education.

Author(s): Kim Fairley and Utz Weitzel

Topic: Decision Theory: Ambiguity, Methodology: Lab, Field and External Validity

[Back to session: Ambiguity](#)

Information acquisition and decisions under risk and ambiguity

Ralf Bergheim, ralf.bergheim@rub.de
University Bochum

ABSTRACT:

This paper experimentally investigates individual information acquisition and decisions in ambiguous situations in which the degree of ambiguity can endogenously and individually be decreased by the subjects. In particular, I analyze how risk aversion, ambiguity attitude and personality traits are related to an individual's information acquisition prior to a decision and to the decision itself based on this information. I focus on urn decisions and conduct treatments that consider the loss and gain domain separately and that vary the amount of available information and the probabilistic structure. I find that risk and ambiguity aversion affect the information acquisition but are less influential for the decisions between two ambiguous urns according to several heuristics. In contrast, personality traits and an individual's primary decision type turn out to have an impact on both information acquisition and decisions. I observe that under this study's presentation format the reflection effect is reversed for negative and positive payoffs in low probability treatments compared to corresponding results under a descriptive presentation format.

Author(s): Ralf Bergheim

Topic: Decision Theory: Ambiguity, Decision Theory: Risk

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The Rich Domain of Risk

**Olivier Armantier, olast1@gmail.com
Federal Reserve Bank of New York**

ABSTRACT:

The literature has distinguished decisions made under risk (with objective probabilities) and uncertainty (with unknown probabilities). Abdellaoui et al. (2011) showed that the domain of uncertainty is rich, i.e., people behave differently depending on the source of uncertainty. They assumed, however, that events with objective probabilities constitute a unique source. We report on two experiments challenging this assumption. We find that the domain of risk is also rich in the sense that subjects behave differently when they face risky bets based on simple or more complex events. Further, we find a tight association between attitudes toward complex risky bets and attitudes toward both ambiguity and compound lotteries. These results raise questions about the characterization and the modeling of ambiguity aversion.

Author(s): Olivier Armantier and Nicolas Treich

Topic: Decision Theory: Ambiguity, Decision Theory: Risk

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An experimental investigation of the tenuous trade-off between risk and incentives

**Alexandros Karakostas, alexandros.karakostas@fau.de
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ABSTRACT:

We conducted an experiment to test the relationship between risk and incentive intensity as this is described in the Incentive Intensity Principle of Holmstrom and Milgrom, (1987). In contrast to previous findings, which have led the relationship to be described as 'tenuous' (Prendergast, 1999), we find a clear negative relationship between risk and incentive intensity as predicted by the theory. More specifically, principals reduce the size of the piece rates they offer when there is increased risk in line with the prediction of the model predicts but also offer positive fixed wages, in line with theories of other regarding preferences. In addition, we find no relation between the variance in the performance and the effort choice of the agent and a strong positive relation between the effort choice of the agents' and the piece rates offered by principals.

Author(s): Alexandros Karakostas

Topic: Decision Theory: Risk, Games: Bargaining

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Error Stories and the Estimation of Preference Functionals using 3-Way Allocation Data

**John Hey, jdh1@york.ac.uk
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ABSTRACT:

Experimentalists are increasingly using allocation problems to make inferences about subjects' preferences ' the reason being that allocation problems appear more informative than other types of problems - such as pairwise choices, Holt-Laury price lists and the Becker-DeGroot-Marschak mechanism. At the same time some experimentalists are broadening the type of allocation problem, moving from allocations over just two events to allocations over more than two, again to get more information from experiments. Even with just two allocations, the issue of the error process is already interesting; going to allocations over more than two increases the interest as well as the complexity of the problem. This paper examines some of the various possibilities and solutions, and also carries out a simulation exercise to investigate the problems caused by using the wrong stochastic specification. Finally we report on an experiment and on the results of the econometric analysis of the experimental data.

Author(s): Xueqi Dong, Konstantinos Georgalos, John Hey

Topic: Decision Theory: Risk, Methodology: Experimental Design, Tools and Practices

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Balancing on a Budget Line

**Helga Fehr-Duda, helga.fehr55@gmail.com
ETH Zurich**

ABSTRACT:

In a recent experimental study of intertemporal risky decision making, Andreoni and Sprenger (AER 2012) find that subjects exhibit a preference for intertemporal diversification, which is inconsistent with discounted expected utility theory. They also claim that their results are at odds with models involving probability weighting, such as rank-dependent utility and cumulative prospect theory. We demonstrate, however, that probability weighting in rank-dependent models not only explains intertemporal diversification but also their other key findings. Moreover, we argue that rank-dependent models provide the most convincing account of their data.

Author(s): Helga Fehr-Duda and Thomas Epper

Topic: Decision Theory: Risk, Decision Theory: Other

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Testing the Robustness of Social Preferences Under Risk

**Alexia Gaudeul, a.gaudeul@gmail.com
Friedrich-Schiller University, Jena**

ABSTRACT:

We report the results of two experiments dealing with the influence of social concerns on choices in a risky setting. We study social lotteries, which unlike individual lotteries determine an outcome both for oneself and for a peer. The literature shows that risk perception will depend on whether one's payoff are correlated with that of the peer, and also on one's relative position with respect to the peer. However, most experiments on the topic rely on a limited range of lottery comparisons and do not control adequately for individual perception of risks vs. what is due to the social setting. We design our experiment to address both issues and find that individuals prefer negatively correlated lotteries and dislike ex-ante inequality in payoffs, whether the inequality is in terms of expected payoffs or for sure. Social preferences under risk are also found to bear no relation to social preferences under certainty, although risk perceptions when dealing with individual lotteries are closely related to those when dealing with social lotteries.

Author(s): Alexia Gaudeul

Topic: Decision Theory: Risk, Social Behavior: Other-regarding Preferences

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Social comparison and risk taking behavior

Astrid Gamba, astrid.gamba@unimib.it
University of Milan-Bicocca

ABSTRACT:

We study theoretically an experimentally decision making under uncertainty in a social environment. We introduce an interdependent preferences model that assumes that the decision maker evaluates monetary outcomes in relation both with his individual and his social reference point. In the experiment we reproduce a workplace environment whereby subjects interact in an effort task, earn (possibly) different wages from this task and then undertake a risky decision that may give them an extra bonus. Controlling for intrinsic disposition toward risk, we find that both downward and upward social comparison strongly influence risk attitudes and they both generate more risk loving behavior

Author(s): Astrid Gamba and Elena Manzoni

Topic: Social Behavior: Other, Decision Theory: Risk

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Verbal and Color Priming Effects on Risk Attitudes of Laymen and Finance Professionals

Doron Kliger, kliger@econ.haifa.ac.il
University of Haifa

ABSTRACT:

The talk integrates research projects exploring the role of verbal and color priming in financial decisionmaking. We start by verbal priming . We focused on professionals: commercial banks' investment advisors and accountants in CPA firms. Results indicate that priming plays a significant role in forming subjects' risk attitudes and investment decisions. Professionals' decisions were affected more than undergraduates', suggesting they employ a more intuitive and less analytic approach in making their decisions. We then investigate color priming. Colors are widely present in financial arenas, with red and green prominently employed. We conducted a between subject design exposing subjects to financial substance on colored backgrounds. Results indicate that red color priming emphasizes value losses of the underlying asset: Subjects exposed to red, versus green, assigned higher valuations and probabilities to loss-domain events, than to gain-domain events.

Author(s): Doron Kliger

Topic: Decision Theory: Risk, Markets: Finance

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Illusion of control and conformism in the laboratory

**Paolo Crosetto, paolo.crosetto@grenoble.inra.fr
INRA, GAEL - Grenoble Applied Economics Laboratory**

ABSTRACT:

In most real life situations, skill and luck contribute jointly to determine outcomes. This is not true in pure luck situation, e.g., lotteries. Nonetheless, human subjects appear to be subject to illusion of control ' i.e., to have 'an expectancy of a personal success probability inappropriately higher than the objective probability would warrant' (Langer 1975). Moreover, in most life situations, observing the behavior of others is informative. Hence, subjects tend to influence each other, sometimes deliberately, sometimes unconsciously, giving rise to phenomena as varied market bubbles, herd effects, mass panic events. In this experiment, we study the effect of illusion of control and of unconscious conformism on the amount of risk tolerance that we can elicit in a controlled laboratory setting. We use the Bomb Risk Elicitation Task (BRET, Crosetto and Filippin 2013) to elicit risk attitudes, and we vary, between subjects, the amount of control subjects have and the exposure to other subject's choices. We implement two distinct forms of control that might give rise to an illusion. First, as done by most of the literature, we give the opportunity to the subjects to determine the outcomes of the randomization device, by rolling the dice themselves instead of letting the experimenter roll for them. Second, and new to the literature, we give the opportunity to the subjects of more actively participating in the determination of the choice in the BRET. In the standard BRET, subjects collectboxes that might contain a bomb, and must stop an automatic collection process; in the Active BRET, subjects actively click once for each box they want to collect. The Active BRET treatment also gives us the opportunity to explore the effect of unconscious conformity in the lab. In this treatment subjects can hear the other subjects in the lab clicking, and hence can be induced to collect more boxes and risk more by the fact that they hear the background noise of other players clicking. To isolate this effect, we run the Active treatment with and without earmuffs to isolate subjects from the background noisy signal given by the clicks of other participants. Results show that no illusion of control appears with neither of the two possible forms of control. As shown in other papers in the literature, incentivized choices seem to crowd out the illusion of control often observed in unincentivized psychology experiments. On the other hand, we observe an effect of conformity, resulting in a higher risk tolerance when exposed to the noisy clicks of others, compared to an isolated

situation. This effect is stronger for women, and is robust to controlling for the perceived complexity of the task and the perceived probability of winning conditional on the submitted choice. Our results indicate that conformism is a strong driver even when unconscious and unrelated (via action or information, as in market bubbles) to monetary payoffs.

Author(s): Paolo Crosetto and Antonio Filippin

Topic: Decision Theory: Risk, Methodology: Experimental Design, Tools and Practices

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The role of supply and information in the long tail effect: an experimental study

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University Rennes 1

ABSTRACT:

Recent studies have shown that the development of online markets has generated a long tail in cultural goods demand: whereas offline demand is highly concentrated on few popular goods (or superstar products), online demand is less concentrated benefiting to niche products. This paper aims at explaining the emergence of this long tail by disentangling two of its possible origins: the high number of goods available online (or supply effect) and the opportunity to easily find information (or information effect). For this purpose, we use an experimental approach for which subjects have to choose an experience good. We compare six experimental treatments differing with respect to the size of the choice set and the size of the information set. Our experimental results show that subjects tend to choose more niche products in treatments with a small choice set than in treatments with a large choice set. This result seems to indicate a choice overload effect among our subjects. Concerning the information effect, we observe that subjects tend to choose more niche products the higher the size of information set is. Altogether, these results indicate that the long tail effect mainly originates from the opportunity to easily find information online, rather than the increase of the number of products available.

Author(s): Fabrice Le Lec, Marianne Lumeau and Benoit Tarroux

Topic: Decision Theory: Bounded Rationality, Markets: Industrial Organization

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Buying Goods of Unknown Value - An Experiment

Katharina Momsen, katharina.momsen@gess.uni-mannheim.de
University of Mannheim

ABSTRACT:

Building on Spiegler's theory of the market for quacks - a market where boundedly rational consumers buy worthless products in equilibrium - we investigate experimentally how people deal with little information. In a lab experiment, subjects can buy goods of unknown value or choose the costless outside option. In two treatments, the costly products are just as effective as the outside option, whereas

in another treatment, the costly products are superior. Subjects know that both costly products and the outside option may be effective; however, they are unaware of their success probabilities and the fact that probabilities are involved. The experiment consists of at least 60 rounds allowing subjects to gain experience and test different heuristics. We find that in the beginning, a large share of subjects behaves according to the S(1)-principle buying the cheapest good with a positive anecdote. Over the rounds, they tend to focus more on prices than on anecdotes. Besides, subjects do not identify valuable goods reliably in the treatment with a less effective outside option. Overall, we find that demand for worthless goods is sustained over time, though at lower prices than in theory.

Author(s): Katharina Momsen and Henrik Orzen

Topic: Decision Theory: Bounded Rationality, Decision Theory: Learning

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Gamblers or Investors? An Experiment on the Illusion of Control

Arianna Galliera, ari.galliera@gmail.com

LUISS Guido Carli

ABSTRACT:

Several studies have shown that pathological gambling is increasing in most developed countries, especially among young generations. It exists also empirical and neurological evidence that near-miss outcomes in gambling increase gamblers' willingness to play even though they keep losing. Recently, Chase and Clark (2010) experimentally showed that near-miss outcomes may elicit a dopamine response similar to winnings despite the fact that not actual reward is delivered: they found that in different games near misses that won participants not a penny still activate parts of the brain associated with money wins. This evidence could be explained by a cognitive bias (among the range of cognitive distortions that promote an overestimation of the chances of winning) that make them confounding between the situations in which near misses are actually a signal of ability in playing (think to a near miss like kicking a ball into a goal post or scoring a mark not far from the admission rate in a test) and those (as picking lottery numbers, playing slot machines or scratching cards) that instead do not involve any degree of skill. In the latter case, in fact, an almost winning outcome says nothing about the likelihood of winning. Nevertheless, when such a situation occurs people tend to play again and could fall in some form of addiction. Therefore we implement an experiment aimed at checking how relevant is this kind of bias among ordinary young students and therefore to evaluate its potential danger even in absence of gamblers pathologies. In particular we propose an investing decision game involving either ability or luck in order to analyse the individual capability of understanding the different meaning of 'almost winning outcomes' in the two different settings. We run different treatments in order to disentangle the risk aversion, ambiguity aversion and cognitive bias effect in both chance and skill context. This will allow us to check for the possibility to avoid artificial induced mood and persistence at gaming that could change 'ordinary' gamblers in 'addicted' through appropriate information.

Author(s): Christine Choirat, Francesco Corea, Daniela Di Cagno, Arianna Galliera

Topic: Decision Theory: Bounded Rationality, Games: Other

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Relative thinking with substitute goods: Does it exist with real choices?

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ABSTRACT:

This paper examines whether in the context of product differentiation people exhibit 'relative thinking,' i.e., whether they are affected by relative price differences even when only absolute price differences are relevant. This research is important because people frequently compare prices of various alternative goods and services, and if they do it in a way that deviates from traditional economic theory, this has important implications for economic theory, advertising, marketing, pricing, etc. Subjects were asked (in an incentivized manner) to indicate for 11 different pairs of goods, given the price of one good, what is the maximal price of the other good for which they would prefer the latter. They received different prices for the same good. If subjects exhibit relative thinking, then those who receive a higher good's price will also be willing to pay more (or require a higher discount) for the constant quality difference between the goods. In addition, in each pair of goods, some subjects received the price of the low-quality good ('willingness to pay' (WTP) treatment) whereas some received the price of the high-quality good ('willingness to accept' (WTA) treatment). In the WTP version, no relative thinking was detected. In the WTA version, relative thinking was documented in all cases. The suggested explanation for this pattern is that people are affected by two biases: 1. Relative thinking. People are willing to pay more for a constant improvement in quality when the product's price is higher because they consider the addition also in percentage of the price. This is stronger when the goods are more similar. 2. A prominence bias. People focus on the value of the product they are pricing although what matters is the difference in value between the two goods.

Author(s): Ofer H. Azar

Topic: Decision Theory: Bounded Rationality, N/A

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Communication, Leadership and Coordination

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ABSTRACT:

Using experimental methods, this paper investigates the limits of communication and leadership in aiding group coordination in a minimum effort game. We consider an environment in which the benefits of coordination are low compared to the cost of mis-coordination. Choosing the highest effort is still the payoff dominant Nash equilibrium and communication and leadership usually help in coordinating on such an equilibrium. In this environment, players converge to the most inefficient equilibrium in the absence of a leader. We look at two types of leaders: a cheap talk leader-communicator who suggests an effort level but is free to choose a different level from the one suggested, and a first-mover leader whose choice of effort is observed by the rest of the group. We study whether leadership can prevent coordination failure and whether leadership allows coordination on a higher effort after a history of coordination failure. We find that in this tough environment both types of leadership are insufficient to

escape from low effort equilibrium but leadership has some (limited) ability to prevent coordination failure. With the help of strategy method for followers' responses we find that the main reason for the persistence of coordination failure in this environment is the presence of followers who do not follow (or would not have followed) the leader.

Author(s): Lu Dong; Maria Montero; Alex Possajennikov
Topic: Games: Coordination, Social Behavior: Communication
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Whom are you talking with? An experiment on credibility and communication structure

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ABSTRACT:

This paper analyzes the role of the structure of communication - i.e. who is talking to whom - on the choice of messages, on their credibility and on actual play. We run an experiment in a three-player coordination game with Pareto ranked equilibria, where a pair of agents has a profitable joint deviation from the Pareto-dominant equilibrium. According to our analysis of credibility, the subjects should communicate and play the Pareto optimal equilibrium only when communication is public. When pair of agents exchange messages privately, the players should play the Pareto dominated equilibrium and disregard communication. The experimental data conform to our predictions: the agents reach the Pareto-dominant equilibrium only when announcing to play it is credible. When private communication is allowed, lying is prevalent, and players converge to the Pareto-dominated equilibrium. Nevertheless, at the individual level, players' beliefs and choices tend to react to messages even when these are non-credible.

Author(s): Gilles Grandjean, Marco Mantovani, Ana Mauleon, Vincent Vannetelbosch
Topic: Games: Coordination, Social Behavior: Communication
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Prison Talk: Why is communication effective in social dilemmas?

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ABSTRACT:

Existing research shows that communication dramatically increases cooperation rates in social dilemmas. Distinct arguments have been presented to explain this. Some argue that, with communication, participants can make promises to express their intentions towards others, and that this creates a commitment value to cooperate if people are averse to lying (Charness and Dufwenberg, 2006; Vanberg 2008; Ismayilov and Potters, 2012). Another explanation is that participants are more

cooperative if they are confident that the paired participant will cooperate, and communication gives participants better opportunities to predict what the paired participant will decide (Frank et al, 1993; Brosig, 2002; Belot et al., 2012). Finally, communication may decrease the social distance between participants and thereby induce cooperation (Bohnet and Frey, 1999). So far, no study addressed all these factors in a unified framework. In this paper, we study the relative importance of each of these mechanisms. In our setup, participants play a two-person one-shot social dilemma game. We implement four treatments that differ in the type of communication that is allowed. In the baseline treatment, participants cannot communicate or identify each other before they make their decisions. In the second treatment ('Social'), participants can identify each other before deciding, but they are not allowed to communicate. In the other two treatments participants can communicate face-to-face. In one of them they are not allowed to make promises ('Restricted') while in the other they are unrestricted in the contents of their conversation ('Unrestricted'). In all of the treatments, we also ask participants to predict the choice of the paired participant. Furthermore, we record the encounters between participants on video and code these on (non)verbal contents and emotional expressions. Consistent with earlier findings, we find a large effect of communication on cooperation. The cooperation rate in the treatment with unrestricted communication is 77 percent, compared to only 21 percent in the baseline treatment with no communication. The opportunity to identify the other has little effect by itself; the cooperation rate is 24 percent in treatment Social. The cooperation rate increases somewhat with restricted communication, to 41%. The largest effect is therefore caused by the opportunity to make promises, increasing the cooperation rate with another 36 percentage points to 77 percent. We find supporting evidence that promises create a commitment value. An analysis of the participants' predictions also shows that participants are to some extent able to predict the choice of the other, provided they can talk. Thus, participants can perceive some characteristics of cooperative types. Based on the coding of the videos, we are able to determine some of the cues that participants use as a basis for their predictions.

Author(s): Simin He, Theo Offerman and Jeroen van de Ven
Topic: Social Behavior: Communication, Games: Coordination
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Collective action in norm enforcement - the role of communication

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ABSTRACT:

The effectiveness of sanctioning institutions on cooperation in public goods games is documented by numerous studies (e.g., Fehr and Gächter, 2002). This result is remarkable, because the punishment stage can be seen as a second public goods game, in which a group of cooperators can free ride on others' punishment expenditures. This study focuses on the effects of communication on punishment decisions. We report data from one-shot three person public goods game with punishment. We introduce the possibility of communication in the stage where subjects choose punishment. There are four treatments: (i) a baseline treatment without communication, (ii) a communication treatment, where subjects can use a common chat room, (iii) a bilateral communication treatment, where each subject has a bilateral chat with each other subject, and finally (iv) a bilateral communication treatment in which subjects can be excluded from communication. We find that the introduction of communication has (at least) two effects: on the one hand it makes punishment more effective because cooperative subjects

coordinate their punishment efforts. On the other hand, communication lowers punishment, presumably because subjects use verbal punishment as a substitute for monetary punishment and because communication decreases the social distance between punisher and punishee. Consequently we observe similar contributions in the treatments with bilateral and common chat possibilities and the baseline treatment. Only if subjects have the possibility to exclude other subjects from the chat we observe higher contributions relative to the baseline treatment.

Author(s): Felix Kolle, Jonathan Schulz & Christian Th?ni

Topic: Public Choice: Public Goods and Common Pool Resource, Social Behavior: Communication
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Is subject behavior consistent with the Nash equilibrium when preferences are common knowledge?

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ABSTRACT:

In applied game theory and in experimental economics, it is typically assumed that players' preferences are common knowledge. We experimentally examine several games in which the Nash equilibrium under this assumption typically fails to predict subject behavior. To make sure that preferences are commonly known, we elicit subjects' preferences over outcomes and reveal them to all participants. Our design thus allows us to test the Nash prediction independently of the assumption of common knowledge of preferences.

Author(s): Christoph Brunner, Florian Kauffeldt, Hannes Rau

Topic: Games: Other, N/A

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On the Salience-Based Level-k Model

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ABSTRACT:

Crawford and Iriberry (AER, 2007) show how a level-k model can be based on salience to explain behaviour in games with distinctive action labels, taking hide-and-seek games as an example. This study presents four different experiments designed to measure salience. When based on any of these empirical salience measures, their model does not explain behaviour. Modifying the model such that players follow salience when payoffs are equal, the model fits hide-and-seek data well. However, neither the original nor the modified model account for data from a discoordination game. This holds true even when incorporating the heterogeneity in measured salience perceptions.

Author(s): Irenaeus Wolff

Topic: Games: Other, N/A

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An experimental test of network stability

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ABSTRACT:

We test experimentally a number of theoretical concepts of myopic and farsighted pairwise stability in networks using dynamic network formation games played in continuous time with free timing of moves. The lack of imposed structure is intended to provide a strong test of the stability concepts which are in the spirit of cooperative game theory and so do not assume a particular game form. We find strong support for 'pairwise myopic stability' and some support for 'pairwise farsighted stability.' We also identify a relatively stable network which is not described by any existing stability concept we are aware of, and suggest how existing definitions of pairwise farsighted stability could be adjusted to incorporate this network.

Author(s): James Tremewan and Mariya Teteryatnikova

Topic: Games: Networks, Methodology: Experimental Design, Tools and Practices

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Relation specific investment in structured bargaining

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ABSTRACT:

In this paper, we test experimentally whether outside options and subjects' contributions to the production value influence the outcome of a structured bargaining game. Two main models characterising the bargaining solution are found in the literature: Rubinstein (1982) structured bargaining model and the Nash bargaining solution. Both models predict that what individuals bring to the table does not matter for the bargaining outcome, but they differ in the predicted effect of outside options. In Rubinstein's model outside options matter only when they are binding. While the Nash bargaining solution predicts that players will pocket their outside options and then bargain over the division of the remaining pie. The fact that the ex ante contribution does not matter for the ex-post bargaining outcome is central to the classical hold-up problem. In situations with relationship-specific investments and incomplete contracts, there may be underinvestment as investors do not get a sufficient share of the project value in the ex-post bargaining process. Another relevant example is job-specific versus general training with wage bargaining. In our experiment we use a structured bargaining design, like the Rubinstein (1982) model. Specifically, this is an alternating offer game with discounting where the receiver can take her outside option and end the game at her turn. In a seminal paper, Binmore et al

(1989) found that non-binding outside options have no impact on the bargaining outcome. We first replicate their findings and further show that this result holds also when the outside option is earned through an effort task. This is in contrast to Anbarchi and Feltovich (2012) who, in a Nash demand game, found that outside options had a stronger effect when earned. We, then, study the effects of individual contribution to the project value bargained over. In contrast with standard theory predictions we show that what you bring to the bargaining table does matter. This finding may help alleviate the hold up problem. If ex-ante bargaining outcomes are influenced by individual contributions, incentives to invests ex ante may be strengthened. Our finding can, partly, be explained by loss aversion in the Rubinstein model. If we assume that subjects have preference with loss aversion and the individual contributions serves as reference point, the Rubinstein model predicts that each player will receive a share close to her initial contribution share. Nevertheless, when the contributions are very unequal the predicted division implies shares that are further away from what they brought to the table resulting in a more even outcome. In this part of the experiment, subjects either earn their contributions through an encoding task as in Anbarchi and Feltovich (2012), or they get a random allocation of it. Then, they are randomly matched into pairs so that the total pie to divide in the bargaining process is the sum of their contributions. Metha et.al (1992) found that randomly allocated shares did influence the outcome of a Nash demand bargaining, and Birkeland (2011) found an effect of earned shares in structured bargaining. Our findings are in line with this literature, more specifically we find that the bargaining outcome shifts significantly in the direction predicted by the loss aversion model, and this is even more pronounced when the shares are earned than when they are randomly allocated. We further find that, when subjects contribute to pie with different amounts, they keep bargaining for a larger number of periods before reaching an agreement. Thus, different contributions seem to cause a significant loss in efficiency compared to the case when the total pie is exogenous and contributions are not specified. This outcome is not predicted by Rubinstein's model, independently of the preference structure assumed, but in line with Babcock and Loewenstein (1997)'s discussion of self-serving bias. Self-serving bias has been also discussed early in the experimental literature, se e.g. Roth and Malouf (1979), but mostly in unstructured bargaining situations which are essentially coordination games where fairness may serve as focal point in coordination. With the sequential nature of our structural bargaining game, such coordination is less relevant. However, we find that subjects tend to offer a more equal split when they contributed less than half the pie while, when their contributions exceed 50% they propose to share according to contribution. Most importantly, the more unequal contributions are, the longer the bargaining lasts and the higher is the resulting efficiency loss.

Author(s): Kjell Arne Brekke, Alice Ciccon, Tom-Reiel Heggedal, Leif Helland

Topic: Games: Bargaining, N/A

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Affective bonding, destructive social behavior, and observed behaviors in social dilemma games: Theory, experiment, and application

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ABSTRACT:

We investigate the formation of negative ties - accompanied by destructive social behavior -, the relative strength of negative impulses in the development of ties, and the explanatory power of ties regarding

observed behaviors in social dilemma games. To that purpose, we implement and extend the social ties model introduced by van Dijk and van Winden (1997), allowing for both forward looking agents and a different impact of negative impulses. We apply this model to a fully symmetric Fragile Public Good (FPG) game where players can both take from or contribute to at identical increasing marginal costs (the only difference being that one either hurts or benefits the other player). After showing the richness of potential equilibria, we test the model experimentally, having players repeatedly interact twice in a (switching) partners setting. Our main findings are: first, that negative ties with destructive social behavior occur; second, that positive impulses have a stronger impact than negative ones, in contrast with the findings of Baumeister et al. (1995); and, third, that the ties model performs better than other (social preferences or learning) models. Next, we apply the model to a prisoner's dilemma environment and find that often observed behaviors, like tit-for-tat, can be generated with certain parameter configurations. Examining our data from the FPG game tells us that many players have estimated parameter values that correspond with such behaviors. Moreover, changes in the prevalence of certain behaviors induced by different cost-benefit ratios of cooperation versus defection, as found for instance by Fudenberg et al. (2012), can be explained by the model.

Author(s): Ben Loerakker, Nadege Bault, Maximilian Hoyer and Frans van Winden

Topic: Games: Repeated Games, Social Behavior: Other-regarding Preferences

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On the relationship between response time and decisions, latent beliefs, the history of play in a repeated game

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ABSTRACT:

The investigation of the relationship between response time and behavior has a long tradition in cognitive psychology, but has only recently attracted attention from experimental economists. I extend existing models of the joint distribution of response time and choices from non-strategic to strategic decision making. I test the theoretical predictions of these models with empirical data from a repeated constant-sum game. Furthermore, I analyze the relationship between response time and (a) the recent history of play, such as recent payoffs and mean historical payoffs, (b) the latent beliefs and estimated parameters (such as the rate of memory decay) derived from a structural pattern-detecting model of belief formation.

Author(s): Leonidas Spiliopoulos

Topic: Games: Repeated Games, Decision Theory: Learning

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An Experimental Study of Imperfect Public Monitoring: Efficiency versus Renegotiation-Proofness

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ABSTRACT:

We study behavior in a repeated partnership game with public imperfect monitoring using laboratory experiments, and focus on whether subjects are affected by renegotiation concerns. The signal in our design is rather simple: it indicates only a success or a failure in each period. In some treatments, the equilibrium with the highest payoffs is renegotiation-proof, while in others it is not. Results indicate subjects' play is affected by the inclusion of a choice that permits some cooperation with more forgiving punishments, but that they do not play the renegotiation-proof equilibrium. However, when the renegotiation hypothesis predicts forgiving (short) punishments, subjects using cooperative strategies are indeed more likely to be forgiving. The experiment also reveals the use of strategies that have not been documented before, highlighting the importance of exploring different monitoring structures. Finally, our design includes communication, which we observe to be used to reduce strategic uncertainty.

Author(s): Matthew Embrey, Guillaume Frechette and Ennio Stacchetti

Topic: Games: Repeated Games, N/A

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Should I Stay or Should I Go? Bandwagons in the Lab

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ABSTRACT:

Farrell and Saloner (1985) model dynamic choice of technology platforms in an environment with type uncertainty and network effects. This is a seminal model of strategic timing in which actions early in the game affect incentives at later stages. The trade-offs that agents face in this model are present in a wide range of economic settings with strategic complementarities, including bank runs and currency attacks, technology adoption, R&D competition, and coordination in teams. Surprisingly, the model has not been tested in a controlled laboratory environment. We perform such a test. In general, the behavior of subjects conforms well with equilibrium predictions for most configurations of type draws. The model is formulated as a dynamic entry game. In stage zero, nature draws a type for each player from a known and continuous type distribution. Each agent observes his own type draw, but not that of his/her opponent(s). In stage one, agents simultaneously choose between staying with an existing platform or making an irreversible switch to a new platform. In stage two agents observe first stage choices. Subsequently, agents that did not switch in stage one simultaneously decides whether to stay or switch. Preferences for switching depend on the agent's privately known type and the network externality: For a given platform, payoffs are higher if both agents choose it. Thus, payoffs depend not only on agent's types but also on network size. The key strategic tension in the model relates to the decisions made by agents that prefer to coordinate on the new technology: If such an agent switches in the first period he/she may induce other agents to also switch. However, such an agent also risks being isolated on the new platform if he/she switches. In the unique perfect Bayesian equilibrium of the game, such agents use "bandwagon" strategies. Agents who have sufficiently strong preferences switch in the first period to initiate a bandwagon; agents with weaker preferences stay in the first period and only jump on the

bandwagon if the other agent initiates it. We test the model using a simple characterization of the game. We implement several treatment variations to check for the robustness of changes in payoff structures, as well as for the behavioral impact of cheap talk. In general, observed behavior is consistent with model predictions. Notably, we reproduce predicted inefficiencies: In some cases, participants remain with the original platform despite preferring a joint switch to the alternative. In other instances, because of network effects, subjects switch despite a reduction in overall surplus relative to jointly staying with the original platform. The most common deviation from the model involves an over-eagerness to switch by subjects that has a weak preference for joint switch. To better understand this behavior, we examine the quantal response equilibrium of a slightly truncated version of the game. We find that that the QRE reproduces the qualitative pattern of errors but does not match the magnitude of the errors.

Author(s): Tom-Reiel Heggedal, Leif Helland, Knut-Eric Joslin

Topic: Games: Coordination, Markets: Industrial Organization

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To steal or not to steal: Values and Coordination

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ABSTRACT:

Protection of property is governed by institutions in most countries. Nonetheless, we observe private investment in protection of property rights. Thus, many scholars of different fields have remarked that property rights are created by human conventions rather than by exogenous institutions or states. Put differently, efficient protection of property depends to a large extent on human compliance with respect for property rights. This view is supported by a production and consumption experiment by Wilson et al. (2012). They conclude that property rights emerge as conventions within civil minded groups. Furthermore, Campos-Ortiz et al. (2012) find, based on experimental data from different countries, that security of property is correlated to socio-political factors such as trust and quality of government. Meaning that in countries with higher trust levels, participants spend less for protection. Thus, the key in understanding the underpinnings of compliance with property rights is to analyze how individual values as well as situational circumstances influence adherence to property rights. Building on their framework, we link experimental data to survey responses to evaluate which cultural and socio-political values might render individuals to spend less on protection in a setting without formally enforced property rights. Additionally, we test whether coordination on the social optimum is affected by inequality within a society. Based on Hirshleifer's Paradox of Power (Hirshleifer (1991)), we expect the poor to engage more in contentious activity. Moreover, we investigate whether efficiency can be increased by the introduction of a 'code of conduct', i.e., an explicit but non-binding statement that one would respect property rights. We conducted an online experiment subsequent to the sixth wave of the World Values Survey (WVS) in Germany. Each participant was endowed with initial wealth and paired in a group of two. The task was to decide how to allocate a fix amount of working units between production, protection and stealing. Production and stealing can generate income depending on the other person's behavior. Devoting resources to protection secures property against theft but does not yield income. Akin to a stag-hunt game this game has multiple Pareto-ranked Nash equilibria in which both players allocate all their resources to stealing and production. Protection cannot be part of an equilibrium. Participants have a common interest with a personal risk; no individual incentive exists to deviate from

the payoff maximizing solution. However, due to insecurity about the other person's behavior the risk dominant strategy might still be played. The game is repeated twice without feedback. In the first decision, participants had no indication about the behavioral norm. Thus, they have to base their decision on their preferences, their beliefs about the other participants behavior and the existing norm. Before the second decision, half of the participants were shown a code of conduct. The code gave a non-binding behavioral guideline. We believe that this code of conduct clarifies the mutual understanding about the norm within society and should therefore, increase coordination on the most efficient situation. In line with Campos-Ortiz et al. (2012) we find individual trust to be negatively correlated to investment in protection. To the contrary, trust in governmental institutions does not relate to the allocation decision. Furthermore, the secular values as defined by Welzel (2013) correlate with the allocation to invest in production. Moreover, unequal wealth leads to significantly different allocations in resources. Participants who are paired with a poorer participant devote less units to production. This result contradicts Hirshleifer's Paradox of Power, which states that the poor will improve their situation relative to the rich. Overall, we observe that pre-existing values play a significant role in making property secure, especially in a setting where initial beliefs have to be formed without experience. In the second decision we observe a significant increase in production across all treatment groups. Furthermore, the allocation of units to protect drops and the observed differences across the in- equality treatments vanish. The code of conduct served as a reinforcement of the norm and aligns beliefs about the shared understanding. Even if the coordination game does not constitute a conflict of interest, without indication about a shared behavioral norm, full coordination is difficult to achieve. Thus, coordination on adherence to property rights depends mainly on whether the shared understanding is made salient.

Author(s): Deborah Kistler and Christian Thoni

Topic: Games: Coordination, Social Behavior: Norms and Morals

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One Step at a Time: Does Gradualism Build Coordination?

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ABSTRACT:

Using a multiple-period binary-choice minimum-effort coordination experiment, we study how gradualism ' increasing required levels ('stakes') of contributions slowly over time rather than requiring a high level of contribution immediately ' affects group coordination performances on a high-stake project. We randomly assign participants to three treatments: starting and continuing at a high stake, starting at a low stake but jumping to a high stake after a few periods, and starting at a low stake and gradually increasing the stake over time (the 'gradualism' treatment). Our belief-based learning model predicts that gradualism may work best, and the experimental results show that individuals coordinate most successfully at the high stake in the gradualism treatment relative to the other two treatments. In a supplementary experiment, we explicitly elicit subjects' beliefs and show that subjects' decisions are consistent with the belief-based learning model. Our findings point to a simple, voluntary mechanism to promote successful coordination when the capacity to impose sanctions is limited.

Determinants of preschool children's ability to coordinate in a stag hunt game

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ABSTRACT:

We study time preferences, risk preferences and altruistic preferences in an incentivized experiment among 196 children aged three to six years and link these preferences to the ability to coordinate in two one-shot stag-hunt games. Our main findings suggest that older children have a higher probability of choosing the payoff-dominant strategy over the risk-dominant strategy. In addition, we find that our experimental measures of time and risk preferences are significant predictors of children's behavior in the stag hunt games. Children who are more patient respectively risk tolerant have a higher probability of choosing the payoff-dominant strategy in the stag hunt games. We do however not find a significant influence of altruistic preferences on coordination behavior.

Author(s): Matthias Sutter, Silvia Angerer, Daniela Glatzle-Rutzler, Manuela Oberauer, Levent Yilmaz
and Achim Zeileis

Topic: Games: Coordination, N/A
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Learning and Evolution in a Multi-Round Strategy-Method Minority-Game Experiment

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ABSTRACT:

Minority games are a stylized description of strategic situations with both coordination and competition. In a recent paper (Linde, Sonnemans & Tuinstra, Games and Economic Behavior, 2014) we showed that in a multi-round strategy-method experiment on the five-person minority game, coordination, and therefore efficiency, does not increase over the rounds, while an evolutionary simulation with the submitted strategies yields a rapid increase in coordination. This is surprising as participants could assess the performance of potential new strategies by running simulations against the population of strategies in previous rounds. Running simulations would allow them to discard strategies which perform badly in the old population, similar to the evolutionary selection process. In two new treatments we explore whether the lack of increasing coordination in the experiment is due to either 1) a lack of information on how to develop better strategies, or 2) participants underestimating noise in the information about the performance of potential new strategies against the old population. To examine the first point we run a treatment where participants get full information about the formulation and

performance of all strategies in the previous round, allowing them to learn from well performing strategies. If participants decide to copy successful strategies that would be similar to the evolutionary selection process. The second point is addressed by letting participants run ten, rather than one, simulations at a time, thereby reducing the noise in the feedback they receive about the performance of their new strategy against the old population. We find that the treatment with ten simulations at a time does lead to increased efficiency, partly because participants with bad performing strategies drop out. Providing participants with information about the strategies of others does not increase coordination.

Author(s): Linde, Jona; Sonnemans, Joep & Tuinstra, Jan

Topic: Games: Coordination, Decision Theory: Learning

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Experimental cheap talk games: Strategic complementarity and coordination

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ABSTRACT:

This paper analyses experimentally the role of one-way cheap talk across four games with complete information. The games vary according to two dimensions: i) whether agents' actions are strategic complements or not and ii) whether it is a coordination game or not. These dimensions allow us to examine the two main roles of cheap talk discussed in the literature: efficiency enhancement and coordination increase. Our findings show that cheap talk interacts with the two dimensions in the following way: while complementarity is the key element for the effectiveness of cheap talk as an efficiency-enhancing mechanism, cheap talk is only useful as a coordination device when both coordination and complementarity are combined.

Author(s): Jimenez-Jimenez, Francisca and Rodero-Cosano, Javier

Topic: Games: Information, N/A

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Overcoming lock-in in a critical mass game: the role of observability and farsightedness

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Maastricht University

ABSTRACT:

Recent uprisings in Tunisia, Egypt and other countries coincided with the spread of information technologies that enabled protesters to disseminate information about the events. This study aims to improve our understanding about the role of technology by modeling uprisings as a repeated critical mass coordination game in which players face a lock-in to the inefficient equilibrium, and investigating if the transition to the efficient equilibrium is more likely with low information transmission costs. In

particular, we allow each player to choose whether they want their action to be observed, and manipulate the cost of doing so. We find that no groups overcome the lock-in when action disclosure costs are high, but half of the groups do so when the costs are low. Furthermore, costly action disclosure allows us to determine if players revolt for myopic reasons (beliefs or preferences) or for strategic reasons, revolting to send a signal to other group members. We find some support for the strategic teaching hypothesis: players who initiate the transition are willing to pay to make their actions observable and those classified as farsighted are much more likely to initiate revolts, while the effect of risk and social preferences is not significant. Overall, we argue that low action disclosure costs lead to higher observed revolt levels and increase the chances to transition to the efficient equilibrium because of belief learning, while some farsighted players seem to anticipate the learning process and attempt to teach by initiating revolts and making their actions observable.

Author(s): Aidas Masiliunas

Topic: Games: Information, Games: Coordination

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Coordination games with asymmetric payoffs: an experimental study

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University of Mannheim

ABSTRACT:

Ever since Schelling, the economic literature has been investigating the nature of salience and its important role in coordination games. Recently, studies have attempted to empirically distinguish two main explanations of coordination: team reasoning and level-k reasoning. The question of which of these two reasoning processes is responsible for coordination has not conclusively been settled. In order to illuminate their applicability in this context, we experimentally investigate payoff-asymmetric coordination games as introduced by Crawford, Gneezy and Rottenstreich (2008) using an intra-team communication design that incentivizes subjects to explain the reasoning behind their decisions. We find that the reasoning process is significantly different between payoff-asymmetric and payoff symmetric games, suggesting that both kinds of reasoning play a role in a way that strongly depends on details of the game.

Author(s): Jonas van Elten and Stefan P. Penczynski

Topic: Games: Information, Decision Theory: Bounded Rationality

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Plurality voting versus proportional representation in the citizen-candidate model

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ABSTRACT:

How does the electoral system influence the outcome of the political process? An important part of the answer lies in understanding how many and which candidates or parties decide to participate in an election. The citizen-candidate model introduced by Osborne and Slivinski (1996) and Besley and Coate (1997) offers a theoretical framework for analyzing this entry decision. In this paper we experimentally compare the case of plurality voting and proportional representation (modeled like in Hamlin and Hjortlung, 2000) to test the theoretical predictions. We find that the comparative statics are supported: (a) Higher costs of running for office reduce entry; (b) proportional representation leads to more entry for low costs of running but (c) not for high costs. Furthermore, in line with previous research we find substantial over-entry compared to the theoretical predictions.

Author(s): Aaron Kamm

Topic: Public Choice: Voting and Rent Seeking, Public Choice: Other

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Competence versus Trustworthiness: What Do Voters Care About?

Fabio Galeotti, galefabio@gmail.com
University of East Anglia

ABSTRACT:

Appointing public officials is an important feature of modern democracies. Citizens are periodically asked to select amongst different candidates whom they want to appoint as public officials in central or local governments. There may be a trade-off on the extent to which candidates are seen as competent versus the extent to which they are seen as trustworthy. In our experiment, we ask voters to select a public official, on the competence and trustworthiness of which their final payoffs depend. We measure the competence of candidates in a real effort task and their trustworthiness in a trust game, and provide this information to voters when they make their voting decision. By looking at cases where there is a competence-trustworthiness trade-off, we can then measure the extent to which competence and trustworthiness matter in electoral decisions. We find that, in general, most voters tend to select the candidate rationally, based on who provides the highest expected profit irrespectively of trustworthiness and competence, but there is a bias towards caring about trustworthiness when the difference in expected profits between the two candidates is small enough.

Author(s): Fabio Galeotti, Daniel John Zizzo

Topic: Public Choice: Voting and Rent Seeking, N/A

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Why Does Political Mobilization Work? The Role of Norms and Reciprocity: Theory and Experiment

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ABSTRACT:

Political mobilization works but not all mobilization efforts are equally effective. Whereas door-to-door canvassing can increase voter turnout by as much as 9 percentage points, other methods like direct mailings have a negligible impact. Although it seems unquestionable that the 'human factor' plays an important role, the psychological process underlying the mobilization mechanism is far from well understood. In this paper I propose a theoretical model and use a laboratory experiment to investigate two non-mutually exclusive channels through which mobilization efforts can work: reciprocity and social norms. The results show that mobilization does not seem to be driven by reciprocity from citizens to the mobilizing agent alone; rather, mobilization efforts work best when they are coupled with a social norm appeal.

Author(s): Pedro Robalo

Topic: Public Choice: Voting and Rent Seeking, N/A

[Back to session: Voting](#)

Understanding the Emergence of Public Debt

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ABSTRACT:

We use a controlled laboratory experiment with and without overlapping generations to study the emergence of public debt. Public debt is chosen by popular vote, pays for public goods, and is repaid with general taxes. With a single generation, public debt is accumulated prudently, never leading to over-indebtedness. With multiple generations, public debt is accumulated rapidly as soon as the burden of debt and the risk of over-indebtedness can be shifted to future generations. Debt ceiling mechanisms do not mitigate the debt problem. With overlapping generations, political debt cycles emerge, oscillating with the age of the majority of voters.

Author(s): Martin Fochmann, Abdolkarim Sadrieh, Joachim Weimann

Topic: Public Choice: Voting and Rent Seeking, N/A

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But what if? - Measuring the heart rate in promise situations with uncertain outcomes

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ABSTRACT:

In previous studies, it has been found that promises are effective in increasing cooperation in situations with complete information and no uncertainty. This study investigates, using behavioural observations as well as physiological measurements (HRV), how uncertainty influences the commitment effect of promises. The analysis in this context has so far been limited to uncertainty regarding the transmission of the promise, with a focus on identifying the underlying motivation to keep a promise (guilt aversion

vs. lying aversion). In the present paper, promises are made before the actual choice options are realised, when only the set of possible outcomes is known. The experimental design differentiates between the moment of promise making and the moment of promise keeping. Therefore, the consequence of promise keeping/ breaking cannot be completely foreseen at the promise making stage. We use a variation of the investment game (Berg et al. 1995). We find support, in the behavioural as well as physiological data, for emotional balancing between promise keeping and the temptation of a material gain by promise breaking.

Author(s): Ann-Kathrin Koessler, Markus Schaffner, Uwe Dulleck, Benno Torgler, Rudolf Kerschbamer

Topic: Social Behavior: Lying and Cheating, Social Behavior: Norms and Morals

[Back to session: Lying and Cheating](#)

How does dishonesty affect competition? - A close-up on gender in competition

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Linköping University

ABSTRACT:

There are numerous examples of an individual engaging in lying in order to gain advantage over her competitors, which include, among others, misreporting information in job applications, using doping or plagiarism. In this paper we investigate how the possibility of lying affects performance and participation in the competition. In particular, we explore how the gender differences in competition are affected when dishonest strategies in competition are allowed. Based on the experimental design of Niederle and Vesterlund (2007), in which individuals make decisions on their payoff schedule by entering the winner-takes-all tournament or staying away from it and choosing piece-rate remuneration, we introduce the possibility of lying by allowing the subjects to self-report their performances. In our experiment, the subjects are asked to solve as many mazes as they can during a fixed time. We run two treatments: in one of them subjects' performance was checked by one of the experimenters while in the other subjects were asked to check their solutions and report how many mazes they have solved. In the analysis of the experiment, we explore gender differences in performance both when it is not possible to deceive and when it is. The next step of the analysis is how the willingness to enter the competition is affected by existence of lying and whether there are gender differences in how the entrance decision is affected when it is possible to use dishonest strategies. Our results corroborate Niederle and Vesterlund (2007) results. Women are less likely to enter the competition, even when we condition the choice on the past performance. Allowing for dishonest strategies does not affect the proportion of individuals who enter the competition, however those who resort to lying, are significantly more likely to enter the competition and win it. Hence, it is important to develop methods to discourage individuals from using deceptive strategies. Policy implications on how to prevent from negative effects of lying are discussed in the paper.

Author(s): Kinga Posadzy, Camilla Josephson, Peter Martinsson

Topic: Social Behavior: Lying and Cheating, Social Behavior: Lying and Cheating

[Back to session: Lying and Cheating](#)

Truth-telling under Oath

**Julie Rosaz, rosaz@lameta.univ-montp1.fr
LAMETA - University of Montpellier**

ABSTRACT:

A growing experimental literature explores the influence of monetary incentives on lying behavior. We extend the investigation to the case of non-monetary incentives to lie, through loaded environment and commitment. To that end, we reword the instructions of a standard lying game in order to make clear what decision is actually a lie. We then combine the lying experiment with an oath procedure, by which subjects commit themselves to tell the truth before entering the laboratory. Both non-monetary incentive devices appear influential on the willingness to tell the truth: subjects lie slightly less often when a lie is called a lie, and drastically less when they formerly complied with a truth-telling oath. Interestingly, loaded environment and oath clearly appear to have distinct effects, as the oath changes non-monetary incentives to lie only when truthfulness is made meaningful in the decision problem.

Author(s): Jacquemet, N., Luchini, S., Rosaz, J. and Shogren, J.

Topic: Social Behavior: Lying and Cheating, N/A

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Bribing the Self

**Roel van Veldhuizen, r.r.vanveldhuizen@gmail.com
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ABSTRACT:

We experimentally investigate the importance of self-image concerns and self-deception in determining the effectiveness of bribery. In the experiment, two participants compete for a prize and a third participant acts as a referee choosing the winner out of the two. Participants are allowed to send a bribe to the referee and the referee can keep only the winner's bribe. When the task workers compete on is objective we find that even though workers bribe, a large fraction of referees pick the winner based on performance in the task. By contrast, when we replace the objective task with a more subjective task, referees base their judgment mainly on bribes. More importantly, in a similar treatment with the same subjective task but in which referees received the bribes few minutes after they received the task for evaluation, we find performance in the task to matter more than bribes.

Author(s): Uri Gneezy, Silvia Saccardo, Roel van Veldhuizen

Topic: Public Choice: Voting and Rent Seeking, Social Behavior: Lying and Cheating

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Labor market transitions and the acknowledgment of earned endowment: a lab experiment in the field.

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ABSTRACT:

Previous studies have established a correlation between economic status and the acknowledgement of earned endowment. This paper presents an experimental test of the causality of this correlation. We conduct a four-person dictator game under one of two treatments, under one initial endowment were earned, under the other they were randomly assigned. A year later, we invited experimental subjects to participate in the same experiment again. We collect information pertaining to the economic status of the subjects during the first and second experiment. Using this information and experimental behavior, we can predict changes in the acknowledgement of earned endowment conditioned on changes in the economic position of participants. We find, indeed, that changes in the actual employment status of participants are a good predictor of experimental behavior in the lab.

Author(s): Barr, A; P, Ubeda; F. Aguiar and L, Miller

Topic: Social Behavior: Other-regarding Preferences, Methodology: Lab, Field and External Validity

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Do judges care about reputation? Experimental evidence from judges in Tajikistan

J Michelle Brock, brockm@ebrd.com
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ABSTRACT:

Reputation can play an important role in motivating quality among professionals. Individuals invest in their reputation not only to influence how others view them, but also to reinforce their own self-perception. Benabou and Tirole's 2003 paper on intrinsic and extrinsic motivation suggests that self-perception is a powerful incentive for workplace performance. Self-perception and reputation are particularly important among judges (Posner, 1993). In this work, we investigate the value of self-perception with respect to quality-based reputation and look at how this interacts with rent-seeking behaviour, among Tajik judges. In Tajikistan, judicial decisions are not made available neither for study nor review once they are passed down and qualifications considered for reappointment are uncertain. Thus, there exists little opportunity for judges to establish a quality-based reputation. Further, it is not clear how making decisions more visible would improve quality, since corruption is wide-spread and there is no evidence that quality-based reputation matters. In this setting, one's self-perception may be key to motivating quality. We conducted a laboratory experiment with Tajik judges to investigate how the chance of anonymous review impacts effort allocation between rent seeking and quality. The experiment uses a real effort task that reflects judges' familiarity with Tajik commercial law. In order to allow for rent-seeking behaviour, judges earned points for both correctly and incorrectly completed items in the task. Time to complete the task was limited, so that investments in correct answers required foregoing rents from providing large number of (less-time intensive) incorrect answers. The treatment was an announcement that subjects' work may be viewed by their peers present in the session, but, importantly, their work remained anonymous. Further, any potential review could not impact on experimental earnings. The treatment was thus the suggestion of a reputation effect where none was actually possible and the potential review affected the subjects only through their self-perception. The

experiment was designed with the following framework in mind. The legal community agrees that judicial quality matters, as an underlying principle, and that opportunism should carry stigma. Quality is defined as maximal effort put toward appropriate application of the legal code (effort), combined with an absence of rent-seeking. Nonetheless, if there is an opportunity for rent-seeking behaviour without getting caught, behaving opportunistically is an established, if not entirely accepted, norm. Getting caught refers to persecution by central government authorities and is dependent on observability. We would expect visibility to decrease opportunism within this framework, but it is unclear whether effort changes with visibility. Further, if output is visible but anonymous, self-perception over reputation may still lead to changes in behaviour. We find that the chance of increased visibility does not impact effort, but it does reduce rent-seeking behaviour, even when work is anonymous. The experiment is couched in a context where peer review does not exist and so experimental results do not reflect a norm in the profession. Rather, the study provides evidence on the power of self-perception to reduce opportunistic behaviour, even in a legal system with low accountability. More broadly, this study provides evidence of the economic importance of self-perception.

Author(s): J Michelle Brock

Topic: Public Choice: Other, Psychology and Biology: Other

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Teenagers develop the ability to read trustworthiness from adult faces

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ABSTRACT:

People can detect trustworthiness from the facial features of social partners, but the developmental course of this capacity is unknown. Here we show that this capacity is acquired during adolescence, the time at which individuals acquire the physical and social capacities preparing them for successful mating behavior. In a sample of 540 teenagers playing the trust game, the capacity to detect trustworthiness on the face of an adult partner was already present to a small extent at age 13, and gradually increased with each passing year, tripling in effect size between age 13 and age 18. We consider the possible mechanisms underlying the development of trustworthiness detection from faces, their implication for the development of prosociality, and their potential disruption in age-segregated societies.

Author(s): Jean-François Bonnefon, Astrid Hopfensitz, Wim De Neys

Topic: Social Behavior: Norms and Morals, Psychology and Biology: Other

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PRINCE: An improved method for measuring incentivized preferences

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Erasmus School of Economics

ABSTRACT:

This paper introduces the prior incentive system (Prince), a new method for measuring incentivized preferences. Prince reconciles choice with matching, combining the efficiency of the latter with the validity of the former. We can now distinguish between (a) genuine deviations from classical economic theories (such as the endowment effect) and (b) preference anomalies due to fallible measurements (such as preference reversals). Prince avoids a number of problems of current incentive systems: (a) The opaqueness of the Becker-DeGroot-Marschak mechanism; (b) The income effect; (c) violations of isolation; and (d) strategic behavior for adaptive experiments. We demonstrate the general implementability of Prince by applying it to standard preference measurements of willingness to accept, subjective probabilities and utilities, and ambiguity attitudes. We confirm the endowment effect, inverse-S shaped subjective probabilities, and ambiguity-generated insensitivity rather than the traditionally assumed universal ambiguity aversion. Utility is closer to linear than traditionally thought. Not only did we avoid any deception of subjects, but, moreover, every subject could verify so during the experiment.

Author(s): Cathleen Johnson, Aurelien Baillon, Han Bleichrodt, Zhihua Li, Dennie van Dolder & Peter Wakker

Topic: Special Topic: Experimental Payments, Decision Theory: Preferences
[Back to session: Various Topics 1](#)

An Introduction to a Novel Real Effort Task with Applications

**Lingbo Huang, lingbo.huang@nottingham.ac.uk
University of Nottingham**

ABSTRACT:

We introduce a novel computerised real effort task, which allows for 'real' efforts in the lab without sacrificing the tight control over the cost of effort function. We argue that the central feature of this task is that researchers are able to manipulate the cost of effort function as well as the production function and are thus able to make theoretical predictions on effort provision. In an experiment where subjects work on the task under different piece rate incentive schemes we found that the predictions on effort provision are remarkably accurate. We also present experimental findings from some classic experiments, namely, team production, gift exchange games and tournaments, using the task. Almost all of the results are closely in line with the stylised facts from experiments using induced value efforts.

Author(s): Lingbo Huang; Simon Gaechter; Martin Sefton

Topic: Methodology: Experimental Design, Tools and Practices, N/A
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Gift Exchange on the Holodeck- A Real Effort Experiment in Virtual Reality

**Ozgur Gurerk, ozgur.gurerk@rwth-aachen.de
RWTH Aachen University**

ABSTRACT:

We introduce a novel method for conducting real effort experiments in a highly immersive virtual environment. Unlike in virtual worlds, in our setup, real subjects- not their avatars- act inside a 3D projection room called CAVE (Cruz-Neira et al. 1993), similar to a 'holodeck' known from the sci-fi series Star Trek. In our setup, subjects perceive the situation in the CAVE as if they were inside a production hall. Being in this virtual room, subjects physically work at a virtual conveyor belt sorting out virtual cubes with defects at different sides. A tracking system allows determining exactly the position of a subject and her movements in space. To check for defects, subjects can grasp the virtual cubes with their bare hands and rotate them. Cubes with a defect must be placed in a virtual trash bin. In four treatments with different monetary incentives, we experimentally inquire (i) the 'gift-exchange' hypothesis of Akerlof (1982) and (ii) the monotonicity effect of the piece rate compensation on performance. We measure effort multidimensionally by taking the number of not rejected cubes with defects, the number of grasps and the duration of grasps into account. We explain how experiments in CAVE may improve external validity by increasing control of the task and the experimental environment. We suggest several future avenues for research in highly immersive virtual environments and discuss how this research may add value to experimental economics.

Author(s): Ozgur Gurerk, Christian Grund, Christine Harbring, Thomas Kittsteiner, Andreas Staffeldt

Topic: Methodology: Experimental Design, Tools and Practices, N/A

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Eliciting and aggregating individual expectations: An experimental study

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Maastricht University

ABSTRACT:

Using market mechanisms to predict future events has been studied extensively. Yet, implementing a market mechanism is not always feasible and in this paper we present an alternative mechanism to aggregate dispersed information. Our mechanism relies on the aggregation of intervals elicited using an interval scoring rule. We test our mechanism by eliciting beliefs about the termination times of a stochastic process in an experimental setting. We conduct two treatments, one with high and one with low volatility. Increasing the underlying volatility affects the location of the interval, yet it does not significantly affect its length. Consequently, individuals perform significantly better in the low volatility treatment than in the high volatility treatment. Next, we construct distributions by aggregating intervals across different individuals. Our results reveal that the Hellinger distance of the aggregated intervals to the true distribution drops by 25% when increasing the aggregation level from two to eight individuals. This shows that aggregating intervals may be an attractive solution when market mechanisms are infeasible.

Author(s): Ronald Peeters and Leonard Wolk

Topic: Decision Theory: Beliefs, Methodology: Experimental Design, Tools and Practices

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Fair Behavior in Experimental Markets and Consumption Decisions

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ABSTRACT:

While both laboratory and field experimental studies find evidence of fair behavior, little is known how well laboratory behavior predicts field behavior. In particular, whether the same people behave fairly inside and outside the lab is not sufficiently well understood. In this study we relate fair behavior in an abstract market experiment to individual choices made outside the laboratory. Participants choose between a fairly traded and a (larger) conventional chocolate bar in response to an email message sent several days before the market experiment took place. This chocolate choice serves as a proxy for an individual's preferences in her regular environment. We find that those subjects who had chosen the Fairtrade chocolate were more willing to pay a price-premium to support higher ("fair") wages in the market experiment. This supports the notion that fair behavior as measured in laboratory experiments indeed measures an intrinsic characteristic of the participants that also plays out in everyday behavior. Furthermore, we do not find evidence for "moral licensing". After the market experiment, we elicited willingness to pay for Fairtrade and conventional chocolate. Those participants who had chosen the Fairtrade chocolate outside the laboratory were willing to pay a higher premium for the Fairtrade chocolate than those who had chosen the conventional chocolate even though the former acted more fairly in the market experiment.

Author(s): David Danz, Dirk Engelmann, Jana Friedrichsen, Dorothea Kubler

Topic: Methodology: Lab, Field and External Validity, Social Behavior: Norms and Morals

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Balance of power and the propensity of conflict

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Max Planck Institute for Tax Law and Public Finance, Munich

ABSTRACT:

We study the role of an increased imbalance in fighting strengths when players bargain in the shadow of conflict. Our experimental results suggest: In a simple bargaining game that removes strategic uncertainty and coordination problems, the probability of conflict is independent of the balance of power. If bargaining involves endogenous demand choices, however, the probability of conflict is increasing in the power asymmetry. Small power asymmetries lead to bargaining failure with significant probability, but small asymmetries imply less conflict with endogenous demands. With large power asymmetries, endogenous peaceful divisions of the bargaining surplus are strongly biased towards the disadvantaged player and away from the advantaged player.

Author(s): Luisa Herbst, Kai A. Konrad, Florian Morath

Topic: Games: Contests, Games: Bargaining

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Resources for Conflict: Constraint or Wealth?

Subhasish Modak Chowdhury, s.modak-chowdhury@uea.ac.uk
University of East Anglia

ABSTRACT:

We investigate the effects of the availability of resources that can be expended in conflict on conflict intensity. We run a between-subjects Tullock contest in which we vary the contest budget from Low to Medium to High, while keeping the Nash equilibrium bid the same. We find an 'inverted U-shaped' relationship between resource availability and conflict intensity. While standard error correction models can explain the first part of the relationship by attributing resources as constraint, they do not apply in the latter part. We further run a Wealth treatment in which the budget remains Medium, but a fixed payment independent of the contest outcome is provided. The level of conflict in the Wealth and the High treatment are not different. We conclude that the resources for conflict can have both a constraint as well as a wealth effect. When initial resources are scarce, they act as a constraint. As more resources become available, the constraint loosens up and conflict intensity increases. However, when resources are abundant, they are viewed as wealth and conflict intensity decreases.

Author(s): Kyung Hwan Baik, Subhasish M. Chowdhury, Abhijit Ramalingam

Topic: Games: Contests, Public Choice: Other

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Intergenerational conflict as multi-level social dilemma

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ABSTRACT:

We propose a game that models short-term and long-term investments as an intergenerational multi-level social dilemma, as present in strategic management decisions. Both investments are public goods for the currently playing generation, having a smaller marginal per capita return from the long-term contributions than from the short-term contributions. We model positive and negative externalities from the actions of any generation on the following one. To create a nested social dilemma our model also includes uncertain negative consequences of insufficient contributions for the current generation. We show that long-term contributions can be increased by nudging people toward collectively pro-social behavior. Moreover, giving individuals the possibility to commit toward long-term contributions, further increases collectively efficient behaviors.

Author(s): Robert Bohm (RWTH Aachen University), Ozgur Gurerk (RWTH Aachen University),
Thomas Lauer (University of Cologne; presenter)

Topic: Public Choice: Public Goods and Common Pool Resource, N/A

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Elites, Deception and Public goods: Experimental Evidence on Elite Capture in Rural Communities

**Tarun Jain, tj9d@virginia.edu
Indian School of Business**

ABSTRACT:

This paper uses an artefactual field experiment to examine elite capture in rural communities in India. While current research documents the presence of elite capture, why elite capture occurs, its effect on the provision of local public services and whether all elites equally engage in elite capture remain open questions. In our experiment, subjects participate in a modified voluntary contribution mechanism game that allows us to examine the extent of cooperation, deception and public good contribution by elites and non-elites. We find that non-elites are more likely to follow elites and perceive elites to be more cooperative than fellow non-elites. However, upon examination of elites' behaviour we find significant differences between two types of elites: political elites (local politician) and informal elite (occupying positions of authority like school principal). Political elites are less likely to contribute to the group account and are on average less cooperative. Additionally, we find that political elites (but not informal elites) are significantly more likely to deceive their fellow group members. We also find an inverted u-shaped relationship between political competition within the village and reported corruption at the village level and an u-shaped relationship between political competition within the village and exposure to corruption.

Author(s): Lata Gangadharan, Tarun Jain, Pushkar Maitra, Joseph Vecci

Topic: Public Choice: Public Goods and Common Pool Resource, Applied Economics: Economic Development

[Back to session: Public Goods 1](#)

Tax compliance in a modified VCM experiment

**Zuzana Berna, zuzana.berna@econ.muni.cz
Masaryk University, Brno**

ABSTRACT:

Tax compliance is one of the fields where the homo economicus concept loses its universal validity; the theoretical model (based on expected utility theory) is not able to cover the complexity of individual compliance decision. Due to intrinsic motivations of the taxpayers, the empirical research is incapable to look into the factors affecting taxpayer's decision. We investigate individual comply behavior using a modified voluntary contribution mechanism with audit and penalty system. Two factors that have proven to have impacts on the level of tax compliance are studied – the probability of an audit and the penalty rate. The paper focuses on testing relative effectiveness of these two factors. Based on previous experimental findings, we hypothesize that the tax compliance is considerably more affected by higher probability of an audit relative to increasing penalty rate.

Author(s): Zuzana Berna, Jiri Spalek

Topic: Public Choice: Public Goods and Common Pool Resource, N/A

[Back to session: Public Goods 1](#)

A Hybrid Public Good Experiment Eliciting Multi-Dimensional Choice Data

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University of Tor Vergata, Rome

ABSTRACT:

Before 'Acquiring-a-Company' (Samuelson and Bazerman, 1985) the seller, who is aware of the value of the firm, can send a value message to the buyer who then decides about his price offer. Can such 'cheap talk' be trade and thus welfare enhancing? And, when buyers receive a value message - our main topic - are there gender differences in their price proposals and in reacting to the value message? Specifically, we experimentally test the hypothesis that female participants are more suspicious than male participants, thesis based on the intuition that, due to gender specific labor division in our evolutionary history, women have evolved as more suspicious. Our experimental design models female and male buyer participants being aware or unaware of seller's gender, thus we explore gender and gender constellation effects in reacting to 'cheap talk' value messages.

Author(s): Francesco Corea, Daniela Di Cagno, Arianna Galliera, Werner Gath, Luca Panacione

Topic: Public Choice: Public Goods and Common Pool Resource, Games: Coordination

[Back to session: Public Goods 1](#)

Cooperating on Environmental Goods: Infinite Play, Uncertain Damages, and Learning

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University of Hamburg

ABSTRACT:

Cooperation on many environmental problems like climate policy, forest fire or hurricane prevention can be characterized as a social dilemma in which cooperation over time may reduce the size of potential damages or the probability of their occurrence. The evolution of cooperative behavior in such dynamic but stochastic settings has received limited attention in the literature. In this paper, we investigate behavior in a repeated four-person prisoner's dilemma game with probabilistic damages. We compare the case where cooperation yields certain damage reduction to the situation where it reduces the damage size of a potentially occurring damage and to the case where it reduces the probability of an adverse event. The results show that cooperation levels are highest in the probability reduction and lowest in the certain treatment. Differences particularly occur over time. Our results indicate that a jointly experienced extreme event may trigger the evolution of cooperative behavior. We explain our results by proposing a model of positive and negative reinforcement learning.

Author(s): Sonja K?ke, Andreas Lange, Andreas Nicklisch

Topic: Public Choice: Public Goods and Common Pool Resource, Decision Theory: Learning
[Back to session: Public Goods 1](#)

Public goods, inequality aversion, personality and social interactions: An experimental study

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University of East Anglia

ABSTRACT:

This paper uses public goods games first to analyse the effect of inequality on contribution behaviour and second to examine the role of personality. In a game where subjects are given different amounts of money, as predicted by a dominant model of inequality aversion, 'low income' players contribute less. But contrary to the prediction of the model, there is no evidence of increased contribution by 'high income' players. The findings also indicate that the personality of other players is an important predictor of contribution behaviour. Personality influences behaviour by providing signals about the potential cooperative behaviour of others. Particularly conscientiousness supports higher levels of cooperation even with inequality. This is the first paper to analyse the social effect of personality in a public goods scenario.

Author(s): Bereket Kebede, Nicole Gross-Camp, Adrian Martin, Shawn McGuire and Joseph Munyarukaza

Topic: Public Choice: Public Goods and Common Pool Resource, Field Experiments: General
[Back to session: Public Goods 2](#)

The Behavioral Anatomy of the Tragedy of the Commons

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ABSTRACT:

We study the nature of cooperation in the appropriation of a common resource (a 'Take' game) and the provision of public goods (a 'Give' game). To uncover the anatomy of cooperation in Take/Give games, we introduce the 'abc-framework' and analyze how cooperative attitudes and beliefs determine cooperation. Our experimental results establish that Take and Give dilemmas are different games even under equivalent incentives. We find striking differences in attitudes: people are substantially less likely to cooperate conditionally in Take than Give. We show that these behavioral differences are explained by different kindness perceptions across the two games. Simulations based on the abc framework show that cooperation is harder in the management of common resources than in the provision of public goods.

Author(s): Simon Gächter, Felix Kötter, Simone Quercia
Topic: Public Choice: Public Goods and Common Pool Resource, N/A
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Carrots, sticks and efficiency of leading by example in social dilemmas

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ABSTRACT:

We study the role of punishment and rewards in a public goods experiment with and without a leader. While both reward and punishment lead to higher contributions than voluntary contribution mechanism only, we do not find a positive effect of having a leader, neither on contributions nor on efficiency. In VCM and punishment settings, leaders contribute more than followers whereas when equipped with reward possibilities, leaders contribute less than followers.

Author(s): Ozgur Gurerk, Thomas Lauer, Martin Scheuermann
Topic: Public Choice: Public Goods and Common Pool Resource, Games: Repeated Games
[Back to session: Public Goods 2](#)

Rewarding Insufficient Contributions Promotes the Voluntary Provision of Public Goods

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University of Zurich

ABSTRACT:

For funding discrete public goods, the provision point mechanism with refunds has received much practical consideration due to its simple structure, in spite of some implementability concerns. Indeed, this mechanism is fraught with a multiplicity of equilibria, both efficient and inefficient. This paper experimentally studies a refinement that significantly improves the mechanism's properties up to strict implementation and, at the same time, retains its simple structure. The refinement is to give contributors a refund bonus as a percentage of their (fully refunded) contribution in the event that total contributions are insufficient to finance the public good. We test three theoretical predictions that arise from the introduction of refund bonuses. The first prediction is that refund bonuses increase the efficiency rate of the mechanism. More precisely, provided that the net value of the public good is larger than the highest possible total amount of refund bonuses, the only equilibrium outcome of the mechanism is the provision of the public good. The second prediction is that refund bonuses reduce the set of efficient equilibria: the larger the bonus in percentage, the smaller the set of equilibria. However, efficient equilibria vanish if a too large refund bonus is promised, with total contributions falling below the provision point. The third prediction is that in environments with the known total value of the public good the aggregate outcome of the mechanism is robust to the introduction of individual uncertainty. All our empirical predictions find empirical support. The introduction of refund bonuses increases the

efficiency rate of the provision point mechanism by up to 70%. When refund bonuses are increased to a level when they can possibly exceed the net value of the public good, the efficiency rate drops by 30-50%, but at the same time total contributions decrease by a relatively small amount. The aggregate behavior of subjects is largely unaffected by the introduction of individual uncertainty.

Author(s): Timothy Cason; Robertas Zubrickas

Topic: Public Choice: Public Goods and Common Pool Resource, Applied Economics: Charitable Giving

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Does Financing of Public Goods by Lotteries Crowd Out Pro-Social Incentives?

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ABSTRACT:

Morgan (2000) and Morgan and Sefton (2000) suggest that one way of overcoming the free-rider problem in financing of public goods is to bundle contributions with purchases of tickets for a fixed-prize lottery. However, if some voluntary contributions are driven by reciprocity to expected contributions of others, introduction of a lottery can crowd out such contributions. We experimentally investigate the extent of such potential crowding out effect. We consider three treatments using a within-subject design. T1 is a regular linear voluntary contribution game. T2 introduces a lottery in which every token of contribution automatically buys a lottery ticket. One ticket is then drawn at random and wins a fixed lottery prize. In T3, three out of four group members participate in the lottery, whereas the remaining member does not, and instead receives a fixed compensation intended to neutralize the wealth effect of nonparticipation. T3 is intended to isolate the reciprocal reaction to others contributing out of desire to win the lottery prize as opposed to maximizing social efficiency from an own desire to win the lottery prize. In particular, comparison of T3 to T1 isolates the former effect, whereas the comparison of T2 to T3 isolates the latter effect. We find that, on average, contributions are lower in T2 in comparison to T1, indicating presence of the crowding out effect. We then further classify subjects by the strength of their conditional cooperation, a proxy for reciprocity, measured a la Fischbacher et al. (2001). We find that the extent of crowding out at subject level is weakly increasing with the level of conditional cooperation. We interpret this finding as crowding-out of voluntary contributions driven by a reciprocal reaction to the perception that others contribute out of greed as opposed to out of sense of generating social welfare.

Author(s): Peter Katuscak, Tomas Miklanek

Topic: Public Choice: Public Goods and Common Pool Resource, Social Behavior: Other-regarding Preferences

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Framing and Feedback in Social Dilemmas with Partners and Strangers

**Caleb Cox, caleb.cox@durham.ac.uk
Durham University**

ABSTRACT:

We study framing effects in repeated social dilemmas by comparing payoff-equivalent provision and appropriation games under varying matching protocols (partners or strangers) and levels of feedback (aggregate or individual). In the positively-framed provision game, players contribute to a public good, while in the negatively-framed appropriation game, players take from an existing public good. Preliminary results suggest that the magnitude and direction of the framing effect varies based on feedback and matching procedures as well as individual characteristics such as gender, which may help to explain the mixed results of the previous literature. However, there is strong evidence that male subjects free-ride more frequently under the appropriation frame. This effect is consistent across all matching and feedback treatments. Furthermore, we find that individual-level feedback leads to more extreme behavior (both free-riding and full cooperation), particularly among women.

Author(s): Caleb A. Cox, Brock V. Stoddard

Topic: Public Choice: Public Goods and Common Pool Resource, Games: Repeated Games

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Impact of Information Type on Incentives to Conditionally Cooperate: Experimental Evidence from Linear Public Goods Game

**Olexandr Nikolaychuk, nikolaychuk@econ.mpg.de
Max Planck Institute, Jena**

ABSTRACT:

Previous experimental research suggests that a non-negligible number of experimental subjects do not resort to free-riding in the linear public goods game but rather are willing to contribute as long as the other group members do so. We build upon the classic design by Fischbacher et al. (2001) by enabling subjects to condition their contribution on the minimum, median, average or maximum contribution as well as on the full contribution profile of the other group members. We find that conditional cooperation is a stable phenomenon that is insensitive to the choice of a conditioning statistic used to classify the subjects as such. In terms of the contribution size, the subjects tend to reciprocate the average rather than any other summary statistic. Finally, we provide guidelines on how the total contribution level can be increased by varying the amount and type of information available to the subjects.

Author(s): Olexandr Nikolaychuk, Peter Katuscak

Topic: Public Choice: Public Goods and Common Pool Resource, Social Behavior: Other-regarding Preferences

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Simple Mechanisms in Public Goods Games - Voting on Minimum Provision Levels

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University of Gothenburg

ABSTRACT:

We implement a minimum contribution level in a linear public goods game. Groups either face the minimum level exogenously imposed by a central authority (the experimenter), or they are allowed to decide for themselves by means of a majority group vote whether or not it should be implemented. We find a positive and sizeable effect on cooperation. The main impact is on the extensive margin, meaning that it is possible to force free riders to increase their contribution without crowding out others' voluntary contributions. This result is robust to the mode of implementation: exogenous minimum levels are as effective as are endogenous minimum levels. Thus, when the minimum level is enforceable it is a simple policy that will boost provision of the public good. Our conclusion hinges upon groups' willingness to implement the minimum level by vote. While subjects who vote against the minimum level substantially reduce their contribution when it is nonetheless implemented, their grievance is of little importance since the vast majority of subjects and groups are in favor of implementation.

Author(s): Emil Persson and Peter Martinsson

Topic: Public Choice: Public Goods and Common Pool Resource, N/A

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An Experimental Investigation of Charity Rebates

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University of East Anglia

ABSTRACT:

In the experimental literature, the effects of tax deduction for charity donation are examined by introducing rebate or subsidy into the dictator game. It, however, is not examined how the source of the rebate may affect charity donation. When a subsidy or rebate mechanism is employed in the laboratory, it is provided by the experimenter and is thus exogenous to the system. This setting is contrary to most of the real situations, since a tax deduction is budgeted by the tax revenue of government, and hence endogenous to the system. It is well possible that an endogenous rebate scheme show a very different charity donation pattern than an exogenous one. It may also be possible that the variation itself is different for different agents. We experimentally investigate these issues with exogenous and endogenous rebate schemes, or no rebate. Subjects first play a repeated public good game (PGG) with either a low or a high endowment and then have an option to donate to a charity. Subjects receive rebate on their donation either exogenously (from the experimenter) or endogenously (from the public account of the PGG). Under the low endowment and endogenous rebate, a subject gives lesser amount. For high endowment, the rank of contribution in a group in the first round of the PGG significantly determines the decision of making a positive donation. This rank, however, increases the scale of donation only for endogenous rebate. Furthermore the rank of contribution does not have any effect on the donation for low endowment. These results shed light on the effects of the rebate sources depending on the income level, and provide with relevant policy implications.

Author(s): Enrique Fatas, Joo Young Jeon, Paloma Ubeda

Topic: Applied Economics: Charitable Giving, Decision Theory: Preferences

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Indirect Reciprocity and Charitable Giving - Evidence from a Field Experiment

**Menusch Khadjavi, menusch.khadjavi@ifw-kiel.de
University of Kiel**

ABSTRACT:

The literature shows that mechanisms like peer punishment and direct reciprocal relationships are able to foster cooperation in social dilemmas. Recent laboratory experiments provide evidence that indirect reciprocity is another channel that can create cooperation, even when circumstances such as anonymity make peer punishment and direct reciprocity unavailable. This study explores indirect reciprocity in a field experiment. From October 2013 to January 2014 we collected more than 900 decisions from over 300 customers of a hair salon in Hamburg, Germany. We take advantage of the fact that tipping is a common feature in hair salons in Germany. The three treatments of our study aim at tracing out whether indirect reciprocity works in the field and how it interacts with charitable giving. First, in the baseline treatment, we collect data on tips given to the hair dresser in the usual setup. Second, the 'box' treatment opens another channel of pro-social behavior: on certain days the hair dresser collected donations to children in need of a well-known cause in Hamburg. Third, in the 'box+1' treatment the hair dresser collected donations and donated 1 EUR per customer himself. Our data indicates that customers not only donate a significant amount to the charity in the two box_ treatments, but also reward the hair dresser by increasing the tips considerably. Our findings suggest that indirect reciprocity in the field mainly works via a non-monetary channel and that it does not come at the expense of charitable giving.

Author(s): Menusch Khadjavi

Topic: Applied Economics: Charitable Giving, Social Behavior: Other-regarding Preferences

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Bracelets of Pride and Guilt? An Experimental Test of Self-Signaling in Charitable Giving

**Joel van der Weele, vdweele@uva.nl
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ABSTRACT:

Self-signaling theory argues that individuals partly behave prosocially to create or uphold a favorable self-image. To study self-signaling theory, we use a novel experimental design to investigate whether increasing self-image concerns affects charitable giving. In our experiment subjects divide 20 euros between themselves and a charity. Some randomly determined participants are induced to wear a bracelet for the two weeks following their donation decision. This bracelet serves as a private reminder of the experiment, thus making the donation more important for future self-image. If self-signaling plays

a role, participants having to wear the bracelet should donate more. We do not find that wearing a bracelet has any effect on donation behavior. This holds although subjects having to wear the bracelet report that at the moment of making the donation, they expect to more often remember the experiment in the following two weeks.

Author(s): Joel van der Weele and Ferdinand von Siemens

Topic: Social Behavior: Norms and Morals, Psychology and Biology: Cognition

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Deconstructing giving: Donor types and how they give

**Philip Grossman, philip.grossman@monash.edu
Monash University**

ABSTRACT:

We examine the extent to which individual donors are warm-glow or altruistic givers and whether this distinction motivates giving decisions, particularly paternalism. Results from our experiment suggest that donors are heterogeneous in their motivations ranging from impure altruists to entirely warm-glow givers to entirely altruistic givers. Of 115 donors, we find that 30 are entirely altruistic donors, 36 are impure givers and up to 17 could be considered entirely warm-glow givers. Consistent with the existing literature we find that donors are predominantly paternalistic, but that paternalism depends on the donor's motivations for giving, with pure warm-glow givers significantly less likely to be paternalistic.

Author(s): Lata Gangadharan, Philip J. Grossman and Kristy Jones

Topic: Applied Economics: Charitable Giving, Social Behavior: Other-regarding Preferences

[Back to session: Charitable Giving](#)

Are Entrepreneurs More Prosocial than Others?

**Hakan Holm, hakan.holm@nek.lu.se
Lund University**

ABSTRACT:

One important, but yet neglected, question is the potential role of private entrepreneurs in the development of prosocial norms and behavior in society. In the scarce literature concerning this issue, there are both 'bright' and 'dark' pictures of the entrepreneur. We report results from a large scale artificial field experiment where the behavior of 200 randomly sampled entrepreneurs (from the same number of firms and with at least 10 employees) are compared with a control group of 200 non-entrepreneurs who are randomly sampled from a group to match the group of entrepreneurs in important respects such as (age, education, gender and income). The entrepreneurs and control group are recruited from two cities in the Yangtze delta (Wenzhou and Shanghai) and are given substantial monetary incentives. The subjects are exposed to three different games to capture the multidimensional aspects of prosocial behavior in strategic situations and each game is given one abstract frame and one field frame,

respectively. We obtain convincing results that entrepreneurs are significantly more prosocial than the control group, which supports the brighter picture of the entrepreneur.

Author(s): Hakan J. Holm, Victor Nee, Sonja Opper

Topic: Field Experiments: General, Social Behavior: Norms and Morals

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Risk Sharing in Three Texas Communities: Does Insurance Crowd out Informal Risk-Sharing?

**Haley Harwell, Harwell.haley@gmail.com
Texas A&M University**

ABSTRACT:

We conduct several lab experiments in the field to examine risk sharing norms across different communities. The experiment uses the solidarity game, developed by Selten and Ockenfels (1998), where subjects have an opportunity to share resources with a disadvantaged member of their three-person group. Experimental treatments introduce the availability of a market alternative for insurance. Purchasing the market insurance gives the participants a guaranteed outcome. Participants are drawn from a random sample of households in three communities. All communities are located in Texas. The communities vary with respect in access to formal credit, risk exposure as well as the communities experience with insurance. We find that risk sharing is stronger in the lowest-income community. Insurance reduces risk-sharing, both by those who purchase insurance and those who do not. Just the availability of a formal market insurance reduces the amount of transfers. This crowding-out is lowest in the community with the strongest norms of sharing. We also find that the lower the income the individual the less likely they are to purchase insurance.

Author(s): Haley Harwell, Angela C. M. de Oliveira, Catherine Eckel

Topic: Field Experiments: General, Social Behavior: Other-regarding Preferences

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Trust in Microfinance Markets

**Maria Santana, maria.santana@gess.uni-mannheim.de
University of Mannheim**

ABSTRACT:

Trust is an important driver of economic interactions. The more individuals trust each other, the easier it is for them to contract with each other. Despite the importance of trust in economic relations no behavioral measures of trust in institutions have been established, usually survey questions are used to quantify trust. We propose a new way of experimentally measuring trust in institutions which draws on the experimental method used to estimate time preferences. We measure trust of clients of a Philippine Microfinance Institution (MFI) towards their MFI and we find that the trust is 87 percent. When trust in

local money lenders is measured, which is a socially less respected financial institution due to their high interest rates, trust levels drop approximately 8 points to 80 percent. Comparisons to survey measures indicate that the new measure is able to pick up trust in institutions.

Author(s): Markus Fr?lich, Stefan Penczynski and Maria Isabel Santana

Topic: Field Experiments: General, Social Behavior: Other

[Back to session: Field Experiments 1](#)

Community Based Initiatives in Energy Saving - a Field Experiment

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University of Reading

ABSTRACT:

We report on quantitative and qualitative research into community based initiatives for energy saving. The quantitative component consists of a matched case and control study of thermal improvements to buildings coupled with behavioural intervention, conducted over three years. We look at the effects of householder meetings oriented around domestic energy saving. Results are consistent with non-negligible reductions in household electricity use measured using energy monitoring equipment, but no reduction in spatial heating. The project also addresses different theories on the role of involvement with community initiatives and energy saving/behaviour change, drawing on qualitative interviews with participants from the matched case and control study, and other community initiatives in the UK. Findings suggest that face to face interaction with other participants in community initiatives can encourage energy savings in several ways. However, there are also significant challenges and limitations to such engagement. We also report on some side benefits of the project arising from the detailed metering information collected.

Author(s): N. Bardsley; M. Buechs; P. James; A. Papafragkou; T. Rushby; G. Smith; C. Saunders; R. Wallbridge; N. Woodman

Topic: Field Experiments: General, Applied Economics: Other

[Back to session: Field Experiments 1](#)

How individual and shared feedback affect self-control at the gym

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University of Munich (LMU)

ABSTRACT:

We investigate the role of individual feedback and shared feedback on gym attendance in a field experiment. New members of a gym are randomly allocated to one of three treatments: Feedback, Shared Feedback or Control. In Feedback, members receive weekly feedback about their attendance goal and gym attendance via email. In Shared Feedback we sent the feedback message to gym members and, additionally, to a fitness buddy chosen by the respective gym member. In Control, members receive

no feedback. Our study allows us to draw conclusions on how small nudges such as simple or shared feedback affect gym attendance and goal attainment. We find that, both, individual and shared feedback improve gym attendance and goal attainment compared to control. Shared feedback does not outperform individual feedback.

Author(s): Yvonne Kohnle and Simeon Schudy

Topic: Field Experiments: General, N/A

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Social segregation and trust : an experiment in secondary schools

**Pascaline Vincent, pascaline.vincent@univ-rennes1.fr
CREM, University of Rennes 1**

ABSTRACT:

We design an experiment to study the effect of teenagers' social environment on their trust: in particular, our aim is to test the relation between social mixing and trust behavior. To study this question, we used an extra-laboratory experiment based on a trust game. Subjects are teenagers of two secondary schools located in Rennes (France). These secondary schools are both located in different neighborhoods within a city, contrasting in their degree of social mixing. Thanks to a within-subjects design, it is possible to study whether teenagers condition their trust choice on the school belonging of their partner and how school identity affects their trust and trustworthiness. Preliminary results suggest that school group attachment is related to higher contributions in the trust game.

Author(s): Benoît Tarrow, Pascaline Vincent

Topic: Field Experiments: General, Social Behavior: Other-regarding Preferences

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Trust, Trustworthiness, and Success in Business: Experimental and Field Findings from Mongolian Microentrepreneurs

**Mongoljin Batsaikhan, mb1712@georgetown.edu
Georgetown University**

ABSTRACT:

Although recent literature tends to argue that social capital improves business outcomes, evidence of this claim in the context of business environment at the micro level is still quite scant. Using a unique data set from the field and lab conducted among microentrepreneurs in the retailing industry in Ulaanbaatar, Mongolia, this paper shows a robust positive correlation between trust and business success: the successful entrepreneurs in the field invest in trust in the lab more than the less successful ones. I also show that trust is highly profitable in this lab and that their investment in trust is close to the optimal amount of trust required to maximize revenue in the lab. In other words, successful entrepreneurs possess both 'private capital' to access the predicted the level of trust and trustworthiness in the

population, and the ability to optimize the level of trust to maximize their own revenue. On the other hand, trustworthiness itself is not associated with business success outside of the lab, with or without controlling for trust but it does predict the amount of loans in the real life.

Author(s): Mongoljin Batsaikhan

Topic: Applied Economics: Economic Development, Field Experiments: General

[Back to session: Field Experiments 2](#)

Moral Incentives and Contract Enforcement across Ethnicity: Experimental Evidence from Northern Afghanistan

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CERGE-EI, Prague

ABSTRACT:

We study experimentally how the availability of a formal sanctioning mechanism affects moral intentions towards co-ethnics and non-co-ethnics among 420 adult males from Tajik and Hazara communities in peri-urban areas in Afghanistan. Unlike previous studies on sanctioning, our subjects have little experience with formal institutions and rely on trust-based contracts. We use a trust game with a requested back-transfer in which the investor can choose to impose a financial sanction for non-compliance. The sanction is costly to the trustee but costless to the investor. We find that applying the sanction crowds out pro-social behavior only if the investors' requests are unfair and if the matched pair shares ethnic group affiliation. On average, applying sanctions helps increase back-transfers in cross-ethnic pairs. We find no effect of decisions to apply sanctions on efficiency. Our results suggest that financial sanctions may crowd out moral incentives more strongly among one's own group, but have a much smaller behavioral effect when applied to out-group members. The results have important implications for state-building efforts in ethnically heterogeneous countries where formal institutions are exogenously introduced.

Author(s): Vojtech Bartos, Ian Lively

Topic: Social Behavior: Norms and Morals, Applied Economics: Economic Development

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Oxytocin increases altruistic punishment

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ABSTRACT:

Social behavior has repeatedly been shown to be influenced and modulated by biological factors, such as neuropeptides and hormones, as well as by social norms and socialization. There is, however, still scarce evidence regarding the link between these two factors and the effect of hormones on social norms. In this paper, we investigate the influence of exogenous application of oxytocin on the enforcement of

social norms and cooperation in a social dilemma situation. Although the hormone oxytocin is well known for promoting certain pro-social behaviour, such as trust or affiliation, it has also been shown to increase defensive behaviour towards outgroup members and negative social emotions in situations perceived as unfair. Since the enforcement of social norms requires both a pro-social attitude and the willingness to actively sanction norm violating behaviour, we hypothesize that oxytocin modulates cooperation via norm enforcement. (1) We find the neuropeptide oxytocin to substantially increase both the inclination and the magnitude of punishment against free-riding, even though the act of punishment yields no future material gain and is costly for the punisher. (2) Moreover, we find that oxytocin increases the inclination to cooperate in a social dilemma when a punishment option is available, but to have no effect on cooperation in the absence of sanctioning mechanisms. Hence, oxytocin seems to operate not by increasing the intrinsic motivation to cooperate per se, but rather by enhancing the level of trust in the deterring effect of a sanctioning mechanism. Consequently, our results suggest that the effect of oxytocin on the willingness to deter norm violations might promote cooperation and thus make up part of the widely established effect of oxytocin on social cohesion.

Author(s): Gokhan Aydogan, Nadja Furtner, Bianca Kern, Andrea Jobst, Norbert Muller and Martin Kocher

Topic: Psychology and Biology: Neuroeconomics, Social Behavior: Norms and Morals
[Back to session: Neuroeconomics](#)

Social sources of risk and ambiguity

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ABSTRACT:

Risk and ambiguity are respectively characterized by having probabilistic information concerning your choice options, or not. Studies on economic decision making under uncertainty have mainly focused on people's preferences' for risk and ambiguity in lottery setups. In these lottery contexts it is often found that people are ambiguity averse. They shy away from unknown probabilities (ambiguity), more so than for known probabilities (risk). Next to the distinction of the type of uncertainty (risk versus ambiguity), our study also emphasizes the importance of acknowledging the source of uncertainty. Real life decisions are mostly not about a mechanistic flip of a coin or the roll of a die. People often face (strategic) uncertainty that directly stems from the conscious choice of (an)other person(s). In these situations of social interaction, the outcome depends on another person's behavior and not on a draw of a mechanistic lottery. In this study we investigate risk and ambiguity preferences in a social context and examine how these preferences differ compared to preferences measured by a standard lottery setup. We use neuroimaging techniques to investigate by which neural mechanisms preferences for uncertainty are affected by its source. Twenty two adults participated in an fMRI study. In the MRI scanner participants had to indicate how many tokens (between 0-10) they wanted transfer to either a computerized lottery device (non-social conditions) or to a human receiver (social conditions). The transferred amount would then be multiplied by 3, before participants could receive back some proportion of their transferred amount. In the non-social case, this was randomly determined by the draw of a marble from a lottery, while in the social case these were the decisions of other participants who had decided in an earlier behavioral session to either keep the full amount or return back half of the tokens received (trust game). In both situations participants made transfer decisions either when probabilistic information was

provided ('risky' trust game), or not ('classic' trust game with ambiguity). Our behavioral results show that humans are ambiguity averse in both social and non-social contexts. This aversion, however, is higher in the social context. When comparing neural mechanisms underlying ambiguity in a social context to ambiguity in a non-social context we found activation in the left and right fusiform gyrus, the right inferior parietal lobule and the right superior medial gyrus; areas that have been linked to interpretation of social information. Our results indicate that people's preferences for uncertainty also depend on the underlying source. The neuroimaging results suggest that social sources of uncertainty are characterized by emotional arousal and human beings uncertainty in their ability to mentalize and read other individuals intentions.

Author(s): Kim Fairley, Alan Sanfey, Jana Vyrastekova and Utz Weitzel
Topic: Psychology and Biology: Neuroeconomics, Decision Theory: Ambiguity
[Back to session: Neuroeconomics](#)

The Neurobiology of Cheap Talk

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Claremont Graduate University

ABSTRACT:

Cheap talk is defined as costless communication that is nonbinding and unverifiable. In the context of a game with complete information, cheap talk should have no effect on the players' decisions since it has no effect on the payoff structure of a game. Yet, experimental data show that cheap talk can affect equilibrium selection in coordination games, and motivate cooperation in prisoner dilemmas' games. In a sense, there seems to be a consensus that cheap talk is a necessary condition for selecting socially efficient equilibria in single shot games. In this study, we utilized fMRI technology to identify the mechanisms whereby cheap talk affects decision-making. Our experiments consisted of a series of simultaneous coordination and traveler's dilemma?games with one-way communication to analyze the effect of messages on behavior. Consistent with others, we observed more efficient outcomes when messages were?meaningful;. We also observed insula activation being reduced?when?recipients got meaningful messages as opposed to hollow messages, suggesting that this area processes strategic uncertainty.?In addition, we found that messages are differentially processed depending on the context (i.e, incentives of the game). In particular, messages that convey information about the game are more salient (as measured by brain activation) in a traveler's dilemma, where interests are in conflict.

Author(s): Monica Capra, W. Gavin Ekins, Gregory S. Berns
Topic: Psychology and Biology: Neuroeconomics, N/A
[Back to session: Neuroeconomics](#)

Do women panic more than men? An Experimental Study of Financial Decisions

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University of Valencia

ABSTRACT:

We report experimental evidence on gender differences in financial decision-making that involves three depositors choosing whether to keep their money deposited or to withdraw it. We find that one's position in the line, the fact that one is being observed and observed decisions are key determinants in explaining the subjects' behavior. Our main result is that men and women do not react differently to what is observed. However, there are gender differences regarding the effect of being observed: women value the fact of being observed more, while men value the number of subsequent depositors who observe them. Interestingly, risk aversion has no predictive power on depositors' behavior.

Author(s): Kiss, H.J., Rodriguez-Lara, I., Rosa-Garcia, A.

Topic: Psychology and Biology: Gender and Individual Differences, Markets: Finance

[Back to session: Gender Differences 1](#)

Stress, Gender and Competitiveness

Lauri Saaksvuori, lauri.saaksvuori@gmail.com
University of Hamburg

ABSTRACT:

There is substantial evidence that women are more reluctant to compete than men. This paper investigates whether experienced stress explains individual differences in performance under competition and gender differences in competitiveness. We assess participants' physiological stress response to non-competitive and competitive reward schemes in a real task using heart rate variability measurement. We show that women shy away from competition more often than men due to experienced physiological stress. Men who self-select into competition experience a stress-induced competitive arousal accompanied with overconfidence. Our results suggest that the gender gap in tournament entry is driven by gender-specific physiological stress responses to competitive incentives.

Author(s): Lauri Saaksvuori, Marja-Liisa Halko, Krisztina Timko

Topic: Psychology and Biology: Gender and Individual Differences, Applied Economics: Labor Market

[Back to session: Gender Differences 1](#)

How Stress Affects Willingness to Compete across Gender

Lubomir Cingl, lubomir.cingl@gmail.com
Charles University, Prague

ABSTRACT:

It has long been observed that on average men are more competitive than women, and this phenomenon has been recently proposed as an explanation of gender differences in various economic outcomes. Since many competitive situations that affect labor-market outcomes- including university admissions and job interviews- involve heightened levels of stress, we examine how the induction of moderate psycho-

social stress affects willingness to compete across gender. We use a series of economic games in controlled laboratory setting in which subjects compete in a simple task. Stress is exogenously induced through a modified version of the Trier Social Stress Test, and measured by salivary cortisol levels throughout the experiment. We find that stress reduces willingness to compete overall. For women, the decrease can be explained by worse performance in competitive environments under stress; men's performance is not affected, and the change in competitiveness seems to be preference-based. These findings suggest that women may be disadvantaged when required to compete in a stressful setting, and have broader implications for understanding how men and women approach competition.

Author(s): Lubomir Cingl, Jana Cahlikova a Ian Lively

Topic: Psychology and Biology: Gender and Individual Differences, N/A

[Back to session: Gender Differences 1](#)

Why women don't run: experimental evidence on the role of competition and qualifications

**Olga Stoddard, olga.stoddard@byu.edu
Brigham Young University**

ABSTRACT:

Several lab and field experiments have demonstrated that women generally shy away from competitive environments. Holding political office is one example of this. Existing research suggests that women are vastly under-represented at all levels of political office in the US not because voters discriminate against female candidates in the voting booth but because women are less likely than men to appear on the ballot in the first place. We examine two theories about the source of the gender gap in political ambition: women avoid politics because of its competitive nature, and women avoid politics because they lack confidence in their qualifications for office. We carry out an experiment to test these theories in a highly politically active subject pool. We find that priming participants about the competitive nature of politics has a strong negative effect on women's interest in political office, but not men's interest. We also find that emphasizing the modest qualifications needed for public office does not increase the number of women who take the opportunity to first learn about running for office, but it does increase the chance that those who take the first opportunity will also take the second opportunity. Finally, regardless of the treatment condition, we confirm the strong gender gap in political ambition: women are significantly less likely to take the first opportunity to learn about campaigns. However, in the qualifications treatment, the gender gap is minimal and declines with each opportunity to view more information. Our findings suggest that among politically active individuals, women are differentially turned off by the competitive nature of politics, but reducing the perception that politics requires a high degree of expertise may increase women's persistence through the decision-making process.

Author(s): Olga Stoddard, Jessica Preece

Topic: Psychology and Biology: Gender and Individual Differences, N/A

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Sex and Self-selection into Competition: Stereotypes, (self) Rational Response and Perception of a Competitor's Sex

**Diogo Geraldes, d.geraldes@maastrichtuniversity.nl
Maastricht University**

ABSTRACT:

A prominent finding in the literature on gender competition is that women shy away from competition compared to men (e.g., Niederle and Vesterlund, 2007). In this paper we investigate whether women have a weaker preference to compete per se or whether they shy away only from the possibility of competing against men. The results support the latter explanation. When given the possibility to choose the competitor's sex, or when being in the lab surrounded only by female participants, women's rate of competition entry is high and similar to the reported rates of competition entry for men. Explanations related to stereotypes, participants' (self) rational response as a payoff maximizer and participants' perception of a competitor's sex are advanced. Finally, we discuss the policy implications of the results for the labor markets.

Author(s): Diogo Geraldes

Topic: Psychology and Biology: Gender and Individual Differences, Applied Economics: Labor Market
[Back to session: Gender Differences 2](#)

The Impact of Order Effects in Remuneration Schemes - Gender Differences in the Crowd Out of Intrinsic Motivation

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ABSTRACT:

In this paper we show that alternating monetary incentives has different impacts on the performance of female and male workers. We conduct experiments with subject within design where subjects do repeatedly a real-effort task under different remuneration schemes. In our main treatment subjects work in the first part under piece-rate remuneration and receive a one-time flat payment in the second part. We find that male subjects decrease their performance by 15% after the removal of the monetary incentives (piece rate). By contrast, no conspicuous decline can be found for female workers who always perform equally well. We also apply a control where the order of remuneration schemes is reversed (i.e., subjects first receive a flat payment and afterwards work under piece rate). The data highlights that male workers show a significantly higher performance under the flat payment in the absence of a preceding piece-rate remuneration. This suggests that monetary incentives seem to crowd out intrinsic motivation for male workers.

Author(s): Volker Benndorf, Holger Rau, Christian Solch

Topic: Psychology and Biology: Gender and Individual Differences, N/A
[Back to session: Gender Differences 2](#)

Gender, Risk Aversion and Framing

**Peter Katuscak, peter.katuscak@gmail.com
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ABSTRACT:

Women have been documented to be more risk averse on average in financial decisions than men (Eckel and Grossman 2008; Croson and Gneezy 2009).? This evidence is robust in the gain domain, but much more mixed in the loss domain. I revisit this question by conducting a simple lottery choice experiment a'la Kahneman and Tversky (1979). When, on the background of a smaller initial endowment, the choice is framed as a sure gain vs. a fifty-fifty lottery of zero or a double gain, women are much more risk averse than men, confirming the existing findings. However, when, on the background of a larger initial endowment, the lottery is framed as a sure loss vs. a fifty-fifty lottery of zero or a double loss, men and women are equally risk averse. This difference is accounted for by women choosing the risky option much more often under the loss framing in comparison to the gain framing. Men on average behave similarly under both framing types.

Author(s): Peter Katuscak

Topic: Psychology and Biology: Gender and Individual Differences, Decision Theory: Risk

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Are Women more suspicious than Men?- An Experiment with Prior Value Message before 'Acquiring-a-Company'

**Arianna Galliera, ari.galliera@gmail.com
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ABSTRACT:

Before 'Acquiring-a-Company' (Samuelson and Bazerman, 1985) the seller, who is aware of the value of the firm, can send a value message to the buyer who then decides about his price offer. Can such 'cheap talk' be trade and thus welfare enhancing? And, when buyers receive a value message- our main topic- are there gender differences in their price proposals and in reacting to the value message? Specifically, we experimentally test the hypothesis that female participants are more suspicious than male participants, thesis based on the intuition that, due to gender specific labor division in our evolutionary history, women have evolved as more suspicious. Our experimental design models female and male buyer participants being aware or unaware of seller $\frac{1}{2}$ $\frac{1}{2}$ s gender, thus we explore gender and gender constellation effects in reacting to 'cheap talk' value messages.

Author(s): F. Corea, D. Di Cagno, A. Galliera, W. Guth, N. Pace, L. Panaccione

Topic: Psychology and Biology: Gender and Individual Differences, Applied Economics: Other

[Back to session: Gender Differences 3](#)

Contributing to public goods as individuals versus group representatives: Evidence of gender differences

**Karen Evelyn Hauge, k.e.hauge@frisch.uio.no
Ragnar Frisch Centre for Economic Research**

ABSTRACT:

We report evidence from a laboratory experiment comparing contributions in a public good game on behalf of self and others to contributions on behalf of self only. We find that women alter their behaviour more than men. The change is in an out-group friendly direction: while men's contributions largely are the same across the two treatments, women on average increase their contributions by 40% on behalf of others. The results are consistent with empirical research from labour markets suggesting that female corporate leaders emphasize stakeholders beyond the shareholders to a larger extent than men, and they are in line with stereotypes commonly held regarding male and female leaders.

Author(s): Karen Evelyn Hauge, Ole Rogeberg

Topic: Psychology and Biology: Gender and Individual Differences, Public Choice: Public Goods and Common Pool Resource

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Paying with Self-Chosen Goals: Incentives and Gender differences

**Victor Gonzalez, v.h.gonzalezjimenez@uvt.nl
Tilburg University**

ABSTRACT:

A compensation scheme that consists on letting workers set their own production target is proposed. Through a theoretical framework a set of predictions about the workers' incentives when facing such a compensation are derived. In particular, the self-chosen goals scheme improves workers' output with respect to a piece-rate payment that entails the same expected earnings. A controlled laboratory experiment is used to study the incentives of the proposed scheme. We find a strong difference between the two genders. On the one hand, men are more likely to respond to the incentives of the scheme, thus their behavior is predicted by our model. On the other hand, women exhibit low performance when they are faced with it. Evidence suggests that this gender difference relies on women understating their self-efficacy beliefs, given that they continuously set lower production targets in spite that they constantly surpass them by a larger amount compared to men. We show that this phenomenon is lead by a gender difference in self-regulated learning, with men completely internalizing the derived learning from the task and women failing to do so.

Author(s): Patricio Dalton, Victor Gonzalez (Presenter) and Charles Noussair.

Topic: Special Topic: Experimental Payments, Psychology and Biology: Gender and Individual Differences

[Back to session: Gender Differences 3](#)

Letting off Steam! Experimental Evidence on Irrational Punishment

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ABSTRACT:

Extending the experimental study of Bartling and Fischbacher (2012), we explore if irrational actions could be provoked by the 'fiery' emotion of anger and how irrational actions of anger can cause externalities for the surrounding. Our design attempts to mimic many real-life situations, where the anger-provoking agent cannot be confronted due to dis-balance of power, legal repercussion, or other circumstances. Our goal is to explore experimentally whether anger gets redirected towards available bystanders in these situations. Our study also elaborates on the factor of culture, by concentrating on different 'subcultures' among the student-age German population. An interesting preliminary result of our study is that soldiers enrolled at a German military university tend to be more likely to punish innocent bystanders when they experience anger-provoking stimuli, such as an unfair treatment from a co-player, than regular students at a German university. Bartling, Bjorn, and Urs Fischbacher. 2012. 'Shifting the Blame: On Delegation and Responsibility.' *Review of Economic Studies*, 79(1): 67-87.

Author(s): Elina Khachatryan and Christoph Buhren

Topic: Psychology and Biology: Emotions, Social Behavior: Other-regarding Preferences

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Gender Differences in Public Policy Views; The Importance of Empathy

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ABSTRACT:

This paper examines the influence of empathy on views toward economic public policy. We find a large gender difference in policy views with women favoring a more interventionist government, consistent with widespread evidence in the literature and polls. Using the Interpersonal Reactivity Index to measure empathy, we find that higher empathy is associated with favoring a larger role for the government, with the subscale for empathic concern having the largest influence. Empathy explains gender differences in public policy views over the entire survey, that is, there is no gender difference once empathy is accounted for. Empathy leads both men and women to support more government action and there is no gender difference in the effects of empathy on policy views. The major area where gender differences persist is in views on free markets, while gender differences on policies on poverty, inequality, and social welfare are eliminated once empathy is accounted for.

Author(s): Linda Kamas and Anne Preston

Topic: Psychology and Biology: Emotions, Psychology and Biology: Gender and Individual Differences

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Do Emotional Carryover Effects Carryover?

**Nikhil Masters, nikhilmasters1@gmail.com
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ABSTRACT:

Incidental emotions arise from sources that are unrelated to the current decision, but nevertheless 'carryover' and have an impact on that decision. In an experiment, we examine valuations of risky and ambiguous lotteries after subjects have undergone an emotion induction. We find that carryover effects are stronger using a naturalistic stimulus and under ambiguous decision making. We also observe large gender differences and find evidence that such behaviour is driven by gender-specific emotional responses.

Author(s): Tim Lloyd, Nikhil Masters and Chris Starmer

Topic: Psychology and Biology: Emotions, Psychology and Biology: Gender and Individual Differences

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The emotional process underlying bubbles and crashes in an experimental asset market

**Adriana Breaban, breaban@uji.es
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ABSTRACT:

In this study we use Facereading software to study the interaction between asset market behaviour and traders' emotional state. In our experiment, we construct an asset market with the structure introduced by Smith, Suchanek and Williams (1988). In our analysis, we use a tick-by-tick dataset that matches individuals' trading activity with their emotional state throughout the market horizon. We study the dynamic relationship between emotions and market activity, at both the individual and market levels, in nearly real time. The individual-level analysis, in particular, allows us to gain a better understanding of the interaction between emotions, market variables and individual decision making. We document the feedback process, consisting of the effect of individuals' emotions on their behaviour, the resulting impact on market-level variables and individuals' wealth, and in turn, their influence of market activity on the emotional state of traders.

Author(s): Adriana Breaban and Charles Noussair

Topic: Markets: Finance, Psychology and Biology: Emotions

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How to Boost Revenues in FPAs? The Magic of Disclosing only Winning bids from Past Auctions

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ABSTRACT:

Consider an auctioneer who repeatedly sells identical or similar items using a first-price sealed-bid auction. The auctioneer has a choice of what information about past auctions to disclose. Using a laboratory experiment, we show that disclosing winning bids generates more revenue in the steady state than disclosing all bids. Such finding can be explained by a bias: some bidders miss that winning bids are not representative of all bids and best-respond to the distribution of winning bids.

Author(s): Philippe Jehiel, Peter Katuscak, and Fabio Michelucci

Topic: Markets: Auctions, Markets: Market design and Matching

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Bidding in first-price and second-price affiliated-values auctions: A laboratory experiment

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University of East Anglia

ABSTRACT:

We report a laboratory experiment on first-price and second-price auctions in settings with independent signals and affiliated values. The environment includes independent private values and the common-value 'wallet game' as special cases. We manipulate the degree of commonality in values across sessions. The Bayes-Nash equilibrium is the same irrespective of the commonality of values, but cursed equilibrium predicts bids will be raised for lower signals. We find mixed support for cursed equilibrium: with common values bid functions are flatter, but at lower levels than cursed equilibrium suggests. Auction revenues are largest for an intermediate case of interdependent values, which neither Nash nor cursed equilibrium predicts. We also find some systematic procedural differences in bidding in first-price and second-price auctions. Bidders adjust their strategies in response to losses by other bidders in the second-price auction, but not in the first-price auction. Conversely, in the first-price auction bidders with high signals take longer to bid, but in the second-price auction response times are roughly independent of signals.

Author(s): Theodore L. Turocy and Timothy N. Cason

Topic: Markets: Auctions, N/A

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Likelihood of winning and overbidding in first price auctions

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ABSTRACT:

Economic theorists have suggested several decision-making models that can explain how bidders in first-price sealed-bid auctions (FPA) choose bids given their values. Many of such models posit a bidder objective that is linear in the probability of winning the auction conditional on own bid. The best-known of such models is expected utility (payoff) maximization. However, the same is true also of several other models, such as anticipated regret (Filiz-Ozbay and Ozbay 2007) and utility of winning. The first goal of our experiment is to test this prediction. Such test is arguably difficult to conduct using data from a usual experimental implementation of FPAs that involves multiple human bidders competing for the object. This is because the tradeoff between bid and the probability of winning is usually clouded by several design features. First, bidders might be uncertain about their opponents' value distribution (Chen et al. 2007), even though in most of the experiments they are not. Second, even if bidders do know their opponents' value distribution, they are uncertain about bidding strategies used by the opponents. Third, even if they know the opponents' value distribution and their bidding strategies, they have to compute distribution of the maximum of several competing bids. Our design assumes away all such complexity by making each human bidder bid against one computerized opponent whose bids are drawn from a known uniform distribution. More-over, such design rules out any impact of social preferences on bidding. Since the probability of winning given own bid is central to our design, we go a step further by depicting this probability in a salient way to each bidder. In this interface, a bidder can try various potential bids. For each potential bid, he is given the payoff conditional on winning, the payoff conditional on losing and a graphical representation of the winning probability. The main part of the design is based on two treatments. In treatment 60/60, each human bidder has a value of 60 whereas computer's bids are drawn from $U[0, 60]$. In treatment 60/100, each human bidder has a value of 60 whereas computer's bids are drawn from $U[0, 100]$. In both treatments, the human bidder can choose any bid from the set $\{0, 1, \dots, 100\}$. As a result, the only thing that is changing between the two treatments is the probability of winning and that of losing conditional on a given bid. The payoffs conditional on winning and losing remain the same. In particular, the probability of winning given a bid is 40 percent lower in 60/100 compared to 60/60. All the models of bidding that posit an objective that is linear in the probability of winning given own bid predict that bidders should behave identically in the two treatments. Intuitively, in 60/100, one can simply condition bidding on computerized bid not exceeding 60 since in the case it does, there is no profitable way of winning anyhow. Contrary to this prediction, we find that bidders bid more in 60/100 (average bid of 35.2) than they do in 60/60 (average bid of 30.8). This result suggests such theories cannot (fully) account for behavior of bidders in auction experiments. Given this finding, we consider theories that posit objectives that are non-linear in the probability of winning conditional on own bid. The first natural candidate is probability weighting (Kahneman and Tversky 1979). Using a two-parameter weighting function introduced by Lattimore et al. (1992), we find that probability weighting can theoretically explain our results. However, for the values of the two parameters commonly estimated in the literature, the predicted comparative static goes in the opposite direction to our empirical findings. Therefore, empirically, we do not consider probability weighting to provide an explanation for our finding. The second candidate is reference-dependence à la Koszegi and Rabin (2007). Using the parametrization introduced by Lange and Ratan (2010), we find that our finding is consistent with a very high degree of loss aversion, which although empirically plausible is not often encountered ($\lambda > 2.5$). The second goal of our paper is to provide a rationale for the observed finding, given the null or weak support of the existing theories. We propose pessimism as a candidate to shape subjects' behavior. The intuition is that the perception of a lower likelihood of winning the auction extends to the whole domain of probabilities. A bidder tends therefore to underestimate his objective probability of winning the auction conditional on his bid. In our 60/100 treatment this implies that the subjects underestimate their probability of winning even when it should not be the case, i.e. when the computer bids less than 60. In contrast, such an effect does not operate when bidders feel that they have the same chances of winning, like in the 60/60 treatment. This mechanism represents a context-dependent distortion of probabilities. In other words the same probability can be perceived as both higher and lower than the objective one according to the relative

strength of the subject in the auction. From a technical point of view it can be operationalized by a simple power function weighting of the probability of winning with the power increasing with the adversity of the bidding environment as represented by subjects' valuation. Besides allowing us to rationalize the bidding behavior in our experiment, such explanation can also account for several other findings observed in laboratory implementations of symmetric and asymmetric sealed-bid auctions with multiple human bidders. This model finds prima facie supporting evidence from the perceived probability of winning the auction elicited at the end of our experiment. In fact, we find that the perceived probability of winning conditional on one's bid is significantly lower in the 60/100 treatment than in the 60/60 condition.

Author(s): Paolo Crosetto, Antonio Filippin, and Peter Katuscak

Topic: Markets: Auctions, N/A

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Do Buyers Strategically Build a Reputation for Defaulting?

**Dirk Engelmann, Dirk.Engelmann@uni-mannheim.de
University of Mannheim**

ABSTRACT:

We follow up on a previous study where we documented theoretically that in some auction settings a bidder can profit from a reputation of defaulting occasionally. Specifically, these are second-price auctions with a 'second-chance offer' at the original auction price as, e.g., in eBay auctions (if the winner defaults, then the runner-up can buy the object at her own bid). In this setting, one can benefit from a reputation of defaulting, because it encourages the other bidders to lower their bids. Our initial experiments have shown that buyers indeed bid less if another bidder has a reputation to default. Building a reputation of defaulting can thus be beneficial if it does not require too costly defaults. In this project, we investigate whether in a simple two-player auction subjects strategically default to build such a reputation. In the first treatment, bidders can default after winning the auction, but they cannot build a reputation, because their default history is private. In the second treatment, bidders can see the matched bidder's default history when placing their bids, in the second part only at a (very small) cost. Subjects default frequently, but the main reason appears to be that the availability of the default option allows bidders to treat winning the auction as an option. Some bidders thus overbid to increase the chance of winning and then default if the price is too high, rather than to strategically build a reputation. Defaults indeed also occur frequently when bidders cannot build a reputation, and bidders rarely purchase information on the other bidder's default history. However, the bidding behavior of those bidders who do buy information about the other bidder's default history is in line with rational usage of this information as well as with strategic defaulting.

Author(s): Dirk Engelmann, Jeff Frank, and Alexander K. Koch

Topic: Markets: Auctions, Games: Information

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Speculators and Entry in Multi-Object Auctions with Resale

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Webster University, Geneva

ABSTRACT:

We theoretically and experimentally examine multi-object auctions post-auction resale markets when participants who have no use value for the object on sale (speculators) are introduced to the environment. The auction environment is a uniform-price, sealed-bid auction with 2 identical objects on sale, which is always followed by the possibility of a free-form bargaining resale market if the auction allocation is inefficient. The market always consists of one regular bidder, endowed with values for each unit, and one to two speculators. In addition to varying the number of speculators in the auction, treatments also vary the entry choice of both regular bidders and speculators into the auction.

Author(s): Marco Pagnozzi & Krista Jabs Saral

Topic: Markets: Auctions, N/A

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Multi-Object Auctions with (Failed) Resale

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ABSTRACT:

We analyze how the presence of resale affects efficiency in multi-object uniform-price auctions with asymmetric bidders, when the resale markets may fail. Our experimental design consists of four treatments that vary the (exogenous) probability that bidders are given a chance to trade after the auction. In all treatments with a non-zero probability of resale, high-value bidders reduce demand significantly more than what is observed without resale; even when the probability of resale failure is very high (70%). As a result, auction efficiency is significantly lower and this distortion may not be corrected through resale. When there is a low probability of resale, final efficiency is actually lower than in an auction without resale. We also examine the qualitative content of the bargaining game between subjects in the resale market and find that the discussion of private values dominates the process of negotiation.

Author(s): Marco Pagnozzi and Krista Jabs Saral

Topic: Markets: Auctions, N/A

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Auction Mechanisms and Bidder Collusion: Bribes, Signals and Selection

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ABSTRACT:

Bidder collusion in auctions is a persistent phenomenon. We study a simple form of collusion, by which one bidder (the proposer) may offer to 'bribe' another bidder (the responder) to drop out of the auction. This form of collusion can result in loss of efficiency if the bribing party has a lower value for winning the auction. The theoretical analysis predicts the existence of inefficient bribes in second-price auctions. First-price auctions, on the other hand, provide a deterring mechanism against bribing due to the signaling properties of bribes. Given any bribing strategy, proposers have an incentive to strategically misrepresent their type, resulting in a pooling equilibrium in which no bribes are offered. We test the hypothesis that first-price auctions are more robust to bidder collusion in a controlled laboratory experiment. Contrary to the theoretical prediction, we find that the auction mechanism has a negligible effect on the bribing behavior. Auction efficiency, however, is reduced in the first-price auction as low-value proposers often winning the auction. The analysis of the bidding behavior and the empirical-optimal strategies establishes that the loss of efficiency can be attributed partly to optimal bidding behavior and partly to myopic behavior of the responders.

Author(s): Aniol Llorente-Saguer and Ro'i Zultan

Topic: Markets: Auctions, N/A

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Trading places: Experimental evidence on priority auctions in queuing systems

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ABSTRACT:

In this paper, we examine efficiency and perceived fairness in two allocation mechanisms in queuing systems, namely server-initiated and customer-initiated auctions. As queuers typically are ordered inefficiently, any auction or trade of queue positions should naturally enhance efficiency. However, the allocation mechanisms might differ in ordering efficiency and perceived fairness. For instance, the endowment effect of being assigned a position in a queue and the framing of this endowment might affect the mechanism's outcome. In the laboratory of the Center for Research in Experimental Economics and political Decision making (CREED), subjects use both allocation mechanisms to re-allocate queue positions. In addition, the mechanism of their choice determines real waiting costs at the end of the experiment. We analyze bidding data to compare mechanisms in terms of efficiency and fairness, as well as to study potential endowment effects.

Author(s): Anouar El Haji and Sander Onderstal

Topic: Markets: Auctions, N/A

[Back to session: Auctions 2](#)

Does Feedback Really Matter in One-Shot First-Price Auctions?

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ABSTRACT:

Does the type of posterior feedback affect how people decide in one-shot environments? We revisit this question in the context of a first-price auction with independent private values. We consider three feedback types: minimal (only knowing whether winning or not), loser (also knowing the winning bid) and winner (knowing the second highest bid if winning). Filiz-Ozbay and Ozbay (American Economic Review, 54(4), 1407-1418, 2007) find that loser as opposed to minimal or winner feedback increases bids in a one-shot auction. We replicate their protocol and complement it with three alternative ones. Using a sample of 624 subjects, we find that bidders' ex ante knowledge of a posterior feedback type has no systematic effect on the average bid/value ratio, suggesting that feedback type is not an important determinant of revenue in one-shot first-price auctions.

Author(s): Peter Katuscak, Fabio Michelucci, Miroslav Zajicek

Topic: Markets: Auctions, Psychology and Biology: Emotions

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Time pressure in auctions

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ABSTRACT:

Auctions are widely used in all day situations, not only in economic design making. In this paper, we use a within subject design to study the effect of time pressure in first price auctions on an individual level. We find that time pressure has a strong negative effect on bidding behavior compared to a situation without pressure. Furthermore, after winning the auction, subjects decrease their bids in the following round. In additionally, we will disentangle the effects for different risk attitudes.

Author(s): Martin Kocher, Florian Lindner, and Matthias Sutter

Topic: Markets: Auctions, Games: Repeated Games

[Back to session: Auctions 3](#)

The Winner's Curse: Contingent Reasoning vs. Belief Formation

Christian Koch, Christian.Koch@gess.uni-mannheim.de

University of Mannheim

ABSTRACT:

Based on experiments with computerized opponents, it has been argued that the winner's curse in auctions is due to the cognitive difficulty of conditioning on future events which might hamper the formation of beliefs (Charness and Levin, 2009). Our study compares experimental results from a very simple auction game with results from a strategically equivalent game that does not require any conditioning on future events. For the strategic equivalence, we make use of one of the five inessential

transformations of extensive games (Coalescing of moves; Kohlberg and Mertens, 1986) and apply it to moves of nature in the auction game. We complement this human subjects setting with treatments that involve naive computerized opponents. This experimental design thus allows us to study cleanly the importance of the cognitive activity of conditioning and the role of belief formation. We observe significant differences in behavior across the two strategically equivalent games, supporting the above-mentioned view on conditioning. In both settings, when subsequently facing naive computerized opponents, subjects' play changes strongly in a way that would have been beneficial for the majority of subjects already in the human subject treatment. Overall, the results suggest that both the difficulty of conditioning on future events as well as the need to form or evaluate own beliefs alter behavior significantly. In the auction context, the larger obstacle of the two seems to be the belief formation.

Author(s): Christian Koch and Stefan Penczynski

Topic: Decision Theory: Bounded Rationality, Markets: Auctions

[Back to session: Auctions 3](#)

Evolutionary Preference Revelation Dynamics under School Choice Mechanisms

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Texas A&M University

ABSTRACT:

In the United States, a growing number of school districts allow parents to choose which public schools they want their children to attend. Unfortunately, it is often impossible to give every student her top choice of schools, since each school can only support a limited number of students. To resolve these shortages, policy makers may elicit each family's preference over schools and employ matching mechanisms that assign each student to a school based on the reported preferences. This paper experimentally investigates the impact of alternative student assignment mechanisms on efficiency, stability, and truthfulness in school choice environments. We employ an innovative continuous-time experimental design which closely mirrors evolutionary models, providing novel insights into the the long run preference revelation dynamics induced by these mechanisms.

Author(s): Daniel Stephenson

Topic: Markets: Market design and Matching, N/A

[Back to session: Market Design](#)

Correcting for the Optimism Bias in Entrepreneurial Prediction Markets -an Experiment

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ABSTRACT:

I explore how optimism bias affects the behavior and trading decisions of human subjects in experimental entrepreneurial prediction markets. I designed and conducted the experiment with two (peer and control) prediction markets and constructed a measure of optimism bias which I call the optimism index. Individual bias was first established and measured through a poll on the probabilities of success of the start-up projects which was conducted prior to the experiment. After the experiment, the evidence for the bias was found in the composition of subjects' closing portfolios, trading behaviour and pricing dynamic. Closing predictions of the control markets were more accurate than closing peer market predictions across the board, providing the strongest evidence for the bias. When peer market closing predictions were adjusted for the bias by using the optimism index, they became more accurate than the unadjusted ones. The results imply that predictive accuracy of small scale peer markets (with small number of traders and transactions) is adversely affected by the optimism bias. Correcting these peer predictions by using an optimism index can significantly improve their accuracy.

Author(s): Momo Deretic

Topic: Markets: Other, Markets: Auctions

[Back to session: Market Design](#)

Information and coordination frictions in experimental posted offer markets

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BI Norwegian Business School

ABSTRACT:

We study a class of market games in a controlled laboratory setting, using 360 unique subjects. These market games have a common structure. Sellers post prices simultaneously. Buyers are either informed or uninformed. Informed buyers first observe prices and then choose a seller to transact with. Uninformed buyers do not observe prices and randomly selects a seller to transact with. We investigate small markets in which two sellers with zero marginal cost interact with three unit-demand buyers. We use a 3X2 design. The first treatment variable is the fraction of informed buyers; either 1/3, 2/3 or 1. The second treatment variable is seller capacity; either constrained to one unit of supply or unconstrained at three units of supply. According to theory prices should go down as more buyers become informed if sellers are unconstrained. In stark contrast to this - and at odds with economic intuition - prices can increase in equilibrium as more buyers become informed if sellers are constrained. For most treatments, lab behavior shows a remarkable correspondence with theory. Prices quickly converge on values close to, or at, equilibrium, and stay there. In particular we find that prices do indeed increase as predicted when more buyers become informed if sellers are constrained. Allowing for noise in price setting further improves fit with data.

Author(s): Leif Helland, Espen R. Moen, Edgar Preugschat

Topic: Markets: Other, Games: Other

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A Large Scale School Choice Experiment

Min Zhu, kittyzhm@gmail.com
GATE

ABSTRACT:

We study the scale effects on two school choice mechanisms, the Boston and the Deferred Acceptance (DA) mechanism. When the number of students per match increases from 4 to 40, the proportion of truth-telling significantly increases under the DA but decreases under the Boston mechanism. Furthermore, this increase in scale significantly decreases both efficiency and stability under the Boston mechanism. However, further increasing the scale to 4,000 students per match has no effect on the performance of either mechanism. Our results indicate that 'large' might be much smaller than predicted in the theoretical literature.

Author(s): Yan Chen, Ming Jiang, Onur Kesten, Stephane Robin, Min Zhu
Topic: Markets: Market design and Matching, N/A
[Back to session: Market Design](#)

Buyer Power in Bilateral Oligopolies with Advance Production: Experimental Evidence

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Ruhr University, Bochum

ABSTRACT:

The effects of demand side competition are a neglected topic in experimental research. We conduct experiments based on the oligopoly model by Kreps and Scheinkman (1983) to assess the impact of demand side concentration on market outcomes. Both buyers and sellers in our markets are humans. The number of firms is fixed at three in all treatments. Only the number of buyers is varied and total demand is split equally among them. We observe that firms set lower prices in markets with only few buyers, namely one or two. Price dispersion is higher in markets with few buyers. Aggregate demand withholding decreases with the number of buyers. This results in lower profits for firms and higher profits for buyers in markets with few buyers.

Author(s): Andreas Orland, Reinhard Selten
Topic: Markets: Industrial Organization, N/A
[Back to session: Industrial Organization 1](#)

Endogenous information disclosure in oligopolies

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ABSTRACT:

With this research we examine whether observing firm-specific production levels leads to a less competitive market outcome. We consider an endogenous information setting where firms can freely decide whether they want to share information about their production level. By voluntarily sharing information, firms can signal their willingness to cooperate. First firms only decide about their production level, and the information they receive is exogenous (either no information, or aggregate / disaggregated information about others' production, in varying order). Later, firms can also decide whether to share their production level with others. We vary the kind of information firms receive: they receive the shared information either in aggregate or disaggregated form. Our results show no difference in average total outputs across treatments and information settings. However, subjects use voluntary sharing as a signaling device for cooperation. If they share information, they produce significantly less than if they do not share information. Furthermore, information sharing significantly helps coordination in individual production levels. If individual information was shared voluntarily, firms achieved a collusive outcome more often.

Author(s): David Kopanyi, Anita Kopanyi-Peuker

Topic: Markets: Industrial Organization, N/A

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Do common standards promote competition? A market experiment.

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ABSTRACT:

Abstract We run a market experiment where firms can choose not only their price but also whether to adopt a common standard. Common standard offers are favored by a portion of the consumers. We vary the proportion and strength of preferences for the common standard of this portion of consumers, and find divergent effects in treatments with full information about competitors and in those with no information. In treatments with full information, early phases with strong competition and frequent adoption of a common standard are followed by later phases with frequent collusion. Firms appear to understand the benefit of not adopting the common standard and are able to collude in doing so. In treatments with no information however, firms are led to adopt the common standard more often as the portion of savvy consumers increases, which leads to an improvement in welfare for all consumers.

Author(s): Paolo Crosetto and Alexia Gaudeul

Topic: Markets: Industrial Organization, Games: Repeated Games

[Back to session: Industrial Organization 1](#)

Do Emission Trading Schemes Facilitate Efficient Abatement Investments?

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ABSTRACT:

Cap-and-trade programs, such as the EU carbon Emission Trading Scheme, are currently the most prominent market-based method used to reduce carbon emissions. Cap-and-trade programs are, on theoretical grounds, considered to be a cost-efficient method. Experimental evidence, however, shows that experimental subjects make highly inefficient abatement choices and that permit allocation methods (allocating permits for free or against payment) bias subjects to too much or too little abatement. The experimental evidence thus suggests that cap-and-trade programs may in practice be more costly than theory predicts. This study, however, challenges this interpretation and shows that, when they are price takers (as in thick markets) and have ample opportunities for learning, subjects quickly learn to make accurate decisions and that these decisions are not affected by the permit allocation method.

Author(s): Van Koten, Silvester

Topic: Markets: Industrial Organization, Methodology: Other

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Boycott - An experiment on tax avoidance and empowered consumers

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ABSTRACT:

It is no secret that especially multinational companies tend to exploit their legal opportunities to avoid paying corporation taxes in sophisticated ways. Recent cases which became public in the UK, and Europe more generally, fired a broader discussion about whether or not multinational enterprises really pay their 'fair share' and what consumers and politicians could do about increasing the low corporate tax payments of some companies. In this paper we use an experimental setting where companies were legally entitled to reduce their tax payments unilaterally whereas consumers were not. Such an approach is novel for two reasons. First, although myriads of economic experiments in diverse IO settings explored the behaviour of firms or of consumers, much less is known about bringing together both sides in the same experimental market. Second, this paper explores how more taxation transparency and voluntary rating schemes could be used to increase corporate tax payments, keeping the economic as well as the political costs of the market intervention to an absolute minimum (because it only involves the voluntary disclosure of information). We found substantial tax avoidance in cases that most closely mirror the current legal framework on corporate tax. However, introducing more taxation transparency by means of a tax rating (similar to the food hygiene rating in UK restaurants) significantly improved corporate tax compliance rates.

Author(s): Enrique Fatas, Antonio J Morales and Axel Sonntag

Topic: Markets: Industrial Organization, N/A

[Back to session: Industrial Organization 2](#)

Past Performance and Entry in Public Procurement: an Experimental Investigation

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University of Naples

ABSTRACT:

There is widespread concern that favoring suppliers with good past performance may hinder entry by new firms in public procurement markets. We report results from a laboratory experiment assessing this concern. Within a simple repeated procurement game with moral hazard we allow past quality provision to be rewarded with a bid subsidy. In some treatments, we also allow entrants to start off with a positive reputational score/bid subsidy. Our results suggest that while some reputational mechanisms do hinder entry, appropriately designed ones significantly increase it. Moreover, the reputational mechanisms we investigate increase entry, quality but not prices, suggesting that well designed schemes of this type may generate large gains for taxpayers.

Author(s): Jeffrey Butler, Enrica Carbone, Pierluigi Conzo, Giancarlo Spagnolo

Topic: Markets: Industrial Organization, N/A

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Thinking of becoming a predator? Direct and induced effects on the productive sectors of the economy

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University of Malaga

ABSTRACT:

We experimentally analyse firm competition at two levels: First, firms decide whether to engage in productive or unproductive activities. Later, competition within activities takes place. Both economic activities are interrelated as the rents in the contest game come at the expense on the market profits. As expected, rent seeking increases with the efficiency of the rent seeking technology, although we find an induced effect: collusive behaviour increases with the efficiency of the rent seeking technology. Despite that, we observe profit equalisation between activities, showing that competition is robust to behavioural effects.

Author(s): Antonio J Morales Javier Rodero Cosano

Topic: Markets: Industrial Organization, Social Behavior: Norms and Morals

[Back to session: Industrial Organization 2](#)

If one price is good, are two better? Experimental evidence on the scope of Personalized Pricing

Andreas Leibbrandt, leibbrandt@gmail.com
University of Chicago

ABSTRACT:

Many sellers exercise power over the prices for their products and price discrimination is an important pricing strategy. However, while some forms of price discrimination appear common, others are difficult

to observe. I present a novel experimental framework to investigate the occurrence and reaction to personalized pricing - first degree price discrimination - in different information and market conditions. The findings provide evidence on the scope of personalized pricing.

Author(s): Andreas Leibbrandt

Topic: Social Behavior: Norms and Morals, Markets: Industrial Organization

[Back to session: Industrial Organization 2](#)

Insurance and Competition in Markets for Credence Goods - An Experimental Investigation

**Florian Spitzer, florian.spitzer@univie.ac.at
University of Vienna**

ABSTRACT:

A typical example of a credence good is the treatment a physician provides for a patient. The physician is able to identify a patient's health condition and the physician therefore knows the type of treatment the patient needs. In contrast, patients do not know what treatment they need ex ante and can often not even tell whether they got the correct treatment ex post. Therefore, physicians are tempted to overtreat the patient to their own advantage and at the expense of the patient. Patients may thus generally mistrust physicians and shy away from consulting a physician. In a baseline condition (random repeated matching, partial information about physicians' track records, and cost of treatment is borne by the patient), we observe an intermediate level of trust and overtreatment. We study the effects of two simple institutions: insurance and competition. Insurance means that the cost of treatment is borne by all patients collectively rather than by the patient alone, such that the costs of treatments are socialized. We find that insurance induces pronounced two-sided moral hazard effects: patients consult more often and physicians overtreat more often than in the baseline condition. Competition among physicians is modeled here as giving patients the choice which physician to consult. We find that competition among physicians has beneficial effects: it increases trust (i.e. patients consult more often) and decreases overtreatment compared to the baseline. Hence, we find that patients benefit from competition and suffer from insurance.

Author(s): Steffen Huck, Florian Spitzer, Jean-Robert Tyran

Topic: Games: Other, Markets: Other

[Back to session: Various Topics 2](#)

Experimenting with Commons

**Michal Maco, miso.maco@gmail.com
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ABSTRACT:

Semi-public spaces as shared resources that represent a very specific combination of private and common property regimes, resulting into a social dilemma. Current management systems require multi-level solutions, involving all relevant stakeholders into the creation, management and maintenance of the shared space. Collective action within these spaces is fundamental and to some extent it is possible to apply common-pool resource (CPR) principles to the management of these spaces. In this paper, we are focusing on sustainable management of shared semi-public spaces, applying CPR principles using experimental approach to examine how incentives and institutions affect decisions. Studies of typical problems of social dilemmas associated with public goods and common pool resources can find direct application in resource and environmental governance. An experimental design of common pool resource game in pen and paper and lab version. Members of the community as users of the shared space represent actors, and semi-public space represents the action arena. Key research questions whether communication improve group performance and a good 'governing of urban commons'? In what way can spatial and ecological dynamics affect outcomes of decision making and the co-evolution of ecosystems and institutions across the scale? The experiment should primarily examine conflict of individual and collective interest. Semi-public spaces as shared resources that represent a very specific combination of private and common property regimes, resulting into a social dilemma. Current management systems require multi-level solutions, involving all relevant stakeholders into the creation, management and maintenance of the shared space. Collective action within these spaces is fundamental and to some extent it is possible to apply common-pool resource (CPR) principles to the management of these spaces. In this paper, we are focusing on sustainable management of shared semi-public spaces, applying CPR principles using experimental approach to examine how incentives and institutions affect decisions. Studies of typical problems of social dilemmas associated with public goods and common pool resources can find direct application in resource and environmental governance. An experimental design of common pool resource game in pen and paper and lab version. Members of the community as users of the shared space represent actors, and semi-public space represents the action arena. Key research questions whether communication improve group performance and a good 'governing of urban commons'? In what way can spatial and ecological dynamics affect outcomes of decision making and the co-evolution of ecosystems and institutions across the scale? The experiment should primarily examine conflict of individual and collective interest.

Author(s): Michal Maco, Tatiana Kluvankova-Oravska, Maros Finka
Topic: Public Choice: Public Goods and Common Pool Resource, N/A
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Healthy Aging and sound financial decision-making at old age

Jonas Fooker, jonas.fooken@gmail.com
EC JRC

ABSTRACT:

Are old people are more exploitable than young individuals, particularly when making financial decisions? Anecdotal evidence supports this conjecture and statistics, for example in the US, show that older individuals are more often victims to fraud than others. If so, why? To answer these questions we study the development of decision-making processes. We investigate several factors that may change the way old people make financial decisions. One is gradual cognitive decline and changing information and reward processing in the brain. The informational part includes the understanding of probabilities as

well as ambiguous uncertainty, as well as understanding the realisation of uncertainty (experienced probability) and updating behaviour accordingly. We conjecture that suboptimal decision making increases with age. Furthermore, while cognitive abilities decline with age, trust in other individuals increases, including cases in which such people are trusted who are not trustworthy. We test these conjectures in an experimental (economic) approach in which we compare decisions of young and old individuals who are playing the investment game. To test the role of uncertainty perceptions we introduce a stochastic efficiency factor in the transaction, changing likelihood levels for this factor and the knowledge about the likelihood level (exact or ranges of probabilities). To investigate if behaviour is driven by trust or risk we also introduce a treatment in which interpersonal elements are eliminated (decision-makers pay their investment to a machine that returns investments with pre-defined probabilities). We furthermore include observational data to investigate if changing cognitive functioning or different preferences drive differences between the age groups.

Author(s): Jonas Fookien

Topic: Psychology and Biology: Cogonition, Decision Theory: Risk

[Back to session: Various Topics 2](#)

People expect others to behave prosocially, yet systematically overestimate selfishness

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Central European University

ABSTRACT:

How do we decide whether to enter an economic interaction or not? Among several factors that ground such decisions are beliefs about how potential economic partners are likely to behave. In particular, how likely are they to choose an option that is favorable to us? We have empirically investigated these beliefs when formed with knowledge of the potential partner's material and prosocial incentives but without information of her past choices. We have addressed two questions: (1) Are decisions to enter an economic transaction modulated by beliefs about the likelihood that one's partner will act in one's favor? (2) Are these beliefs formed in view of the potential partner's material and prosocial incentives? We gathered empirical evidence in favor of a positive answer to these two questions. We have measured the implicit beliefs about partners' choice in four different contexts where others' prosocial dispositions are at stake: partners had to choose between two possible allocations for themselves and a receiver, with, in some cases, the possibility to make altruistic choices. Our results show that receivers can tell apart situations where their partners are likely to make an altruistic choice from situations where material incentives make selfish choice more likely. Thus, people assume that others will prefer to increase their own material benefits but nonetheless have prosocial dispositions. In spite of this understanding of others' motivations, the prior beliefs about others' prosocial dispositions significantly and systematically underestimate the extent of prosociality. When asked explicitly, people underestimate others' prosocial dispositions even more. Also, the prior beliefs about others' choices are highly influenced by how oneself has chosen in a similar situation (false consensus effect).

Author(s): Andras Molnar and Christophe Heintz

Topic: Social Behavior: Other-regarding Preferences, Decision Theory: Beliefs

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Social framing and cooperation: The role and interaction of preferences and beliefs

**Elisabeth Gsottbauer, elizabeth.bernold@dbgt.gess.ethz.ch
ETH Zurich**

ABSTRACT:

Evidence shows that there are substantial and systematic differences in cooperation rates under varying framing conditions. Several explanations of the differences have been presented. Some (e.g. McCusker (1995)), van Dijk (2000)) argue that social frames mainly cause subjects' preferences to change, while others (e.g. Dufwenberg (2011), Ellingsen (2012)) argue that frame-specific terminology such as a change in the name of the game mainly affects subjects' beliefs about others' behavior. The present paper advances the discussion concerning the role of frames by simultaneously identifying the effects of both preferences and beliefs within the same experiment. The present experimental manipulation consisted of labeling the interaction as one of the following: a Community Game, a Wall Street Game, an Environment Game or a baseline condition simply called a Game. In all four experimental conditions, we measured players': (i) social preferences via the SVO slider method, (ii) choice behavior in a one-shot public goods game, (iii) beliefs about others' contributions to a public good via the standard strategy method, (iv) behavior in a ten-round iterated public goods game with random group rematching, and (v) a donation decision to a naturally occurring public good. All decisions were incentive compatible and beliefs were elicited with a proper scoring rule to motivate truth telling. Results show that preferences and beliefs are both significant predictors of cooperation, but that their relative importance can be either amplified or dampened due to superficial framing characteristics of the decision context. Elicited social preferences explain cooperation in a systematic way in the Community Game, while they do less so in other frames, and are not a significant predictor in the Wall Street Game. These results show that both social preferences and beliefs are relevant in understanding cooperation decisions and that framing can modulate the strength of these explanatory factors.

Author(s): Bernold, E., Gsottbauer, E. Ackermann, K., Murphy, R.

Topic: Social Behavior: Other-regarding Preferences, Decision Theory: Beliefs

[Back to session: Social Preferences 1](#)

Regarding Other Other-Regarding Preferences: Comparing Measures of Inequality Aversion

**Benjamin Beranek, benjamin.beranek@nottingham.ac.uk
University of Nottingham**

ABSTRACT:

In this within subjects study, we measure the parameters of inequality aversion for each participant using (1) expressions of attitude in the Loewenstein et al. (1989) scenario tasks and (2) behavioural choice in the Blanco et al. (2011) ultimatum and modified dictator games. We then determine the coherence between these two different measures of other-regarding preferences finding only limited coherence. The original study was conducted among university students in Nottingham, England, but further

replications finding similar results were conducted among university students in Izmir, Turkey and among an American MTurk workers. Finally, we use a host of demographic information as well as responses to psychological surveys to determine the factors associated with increased coherence in other-regarding preferences.

Author(s): Benjamin Beranek, Robin Cubbit, Simon Gächter

Topic: Social Behavior: Other-regarding Preferences, Psychology and Biology: Gender and Individual Differences

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On the external validity of social preferences games: a lab-field experiment

**Matteo Galizzi, matteogalizzi@yahoo.it
London School of Economics**

ABSTRACT:

We present a lab-field experiment designed to evaluate systematically the external validity of social preferences elicited in a variety of experimental games. We do this by comparing behavior in the games with a number of behaviors elicited in the field and with self-reported behaviors exhibited in the past. Our results show that the experimental games do a strikingly poor job in explaining both social behaviors in the field and social behaviors from the past. This raises concerns about the adequacy and external validity of what has come to be a primary way of studying social preferences in economics and beyond.

Author(s): Paul Dolan, Matteo M Galizzi, Daniel Navarro-Martinez

Topic: Social Behavior: Other-regarding Preferences, Methodology: Lab, Field and External Validity

[Back to session: Social Preferences 1](#)

Reciprocity models revisited: intention factors and reference values

**Andreas Nicklisch, nicklisch@coll.mpg.de
University of Hamburg**

ABSTRACT:

Behavioral economists have put forward different options of how to model reciprocal behavior. In this paper we present a test of two established models, an intention factor model and a reference value model. In a series of twelve miniultimatum games, we systematically vary payoff constellations aiming to probe one characteristic element of each model. In the intention factor model we investigate the intention factor and in the reference value model we examine the proposed specification of the reference value for kindness. Experimental results from an online experiment with nearly 500 subjects are partly in line with the predictions of both models. However, we detect major discrepancies as soon as we leave the aggregate level of behavior. We find similar levels of rejection throughout most of our games, although the level is predicted to be different at certain instances according to the intention factor model.

With respect to the reference vaule model we find a sequence of rising rejections rates as predicted. However, our results indicated that the model is not robust against structural changes of the decision context. We argue that neither model provides a comprehensive solution concept to explaining reciprocal behavior. Based on our observations, we discuss a possible modification to existing models on the level of beliefs to better capture the fleeting nature of reciprocity.

Author(s): Janna Hinz, Andreas Nicklisch

Topic: Social Behavior: Other-regarding Preferences, Decision Theory: Preferences

[Back to session: Social Preferences 2](#)

Reciprocity and the dynamics of social preferences

**Kurt Alexander Ackermann, kurt.ackermann@gess.ethz.ch
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ABSTRACT:

There is accumulating evidence that decision makers are sensitive to the distribution of resources among themselves and others, beyond what is expected from the predictions of narrow self-interest. These social preferences are typically conceptualized as being static and existing independently of information about the other people influenced by a decision maker's allocation choices. In the experiment to be presented we considered the reactivity of a decision maker's social preferences in response to information about the past behavior of the person to be affected by the decision maker's allocation choices (i.e., how do social preferences change in relation to the other's type). We offer a conceptual framework for characterizing the link between distributive preferences and reciprocity, and report on experiments in which these two constructs are disentangled and the relation between the two is characterized. The results clearly show that social preferences can and often do change in response to revealed information about interaction partners, and that even people who are mainly concerned with their own outcome when information about the 'other' is absent can show considerable degrees of positive reciprocity when provided with evidence that the 'other' is prosocial.

Author(s): Ackermann, K.A. and Flei?, J. and Murphy, R.O.

Topic: Social Behavior: Other-regarding Preferences, N/A

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Moral wiggle room and reciprocity

**Tobias Regner, regner@econ.mpg.de
Max Planck Institute of Economics**

ABSTRACT:

By now there is substantial experimental evidence that people make use of 'moral wiggle room' (Dana et al., 2007), that is, they tend to exploit moral excuses for selfish behavior. However, this evidence is limited to dictator games. In our experiment, a trust game variant, we study whether moral wiggle room

also prevails, when reciprocity is a potential motivation for being generous. Trustees' back transfer choices are elicited for five different transfer levels of the trustor. Moreover, we ask trustees to provide their back transfer schedule for different scenarios that vary the implementation probability of the back transfer. This design allows us to identify subjects who reciprocate and analyze how these reciprocators respond to the provision of moral wiggle room. Our results suggest that moral wiggle room exists as well in the context of reciprocity. Among our subjects 40% of the reciprocators exploited moral wiggle room.

Author(s): Tobias Regner

Topic: Social Behavior: Other-regarding Preferences, Social Behavior: Norms and Morals

[Back to session: Social Preferences 2](#)

Generosity in Bargaining: Fear or Reciprocity?

**Yola Engler, Yola.Engler@qut.edu.au
Queensland University of Technology**

ABSTRACT:

The traditional economic view of decision-makers as purely self-interested money maximizers who do not care about others' material payoff or others' intentions has been contradicted by empirical studies in many contexts (Fehr & Schmidt, 2006). Especially in experiments where decisions about payoff allocations among participants are made, behavioural patterns that cannot be explained by exclusively selfish preferences can be observed frequently. In our paper we employ a double alternating ultimatum game to analyse the influence of reciprocity on bargaining behaviour. An initial proposition on how to split \$10 by Player A can be accepted straight away by Player B or followed by a counteroffer which has to be accepted or rejected by Player A. Our main interest lies with the opening request of Player A and whether it influences Player B's subsequent counteroffer. Using the strategy method and eliciting not only choices but also beliefs about the other player's choices, we can disentangle the two channels through which Player B's choice might be affected: Toughness (Strategic Considerations) and Kindness (Reciprocity). In particular we ask whether an optimal starting proposal exists. We find that Player Bs' counteroffer depends on the request initially made by Player A. Thus, the first stage is not cheap talk without any consequences. Indeed, the curve of counteroffers takes an inverse U-shape with an optimal request slightly above the equal payoff split. Consistent with the reciprocity theory, Player Bs act in line with their belief about Player As' expectations (or even exceed them) for low initial requests. High requests over \$6 are punished partly at own costs by counteroffering an amount which Player Bs expect to be rejected or only just accepted by Player A.

Author(s): Yola Engler, Lionel Page and Yasmine Bekkouche

Topic: Social Behavior: Other-regarding Preferences, N/A

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Processes of Distributional Preferences

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ABSTRACT:

To fully understand distributional preferences, it is important to investigate the cognitive processes underlie distributional decisions. We address this question by examining subjects' decisions and associated response times across two types of modified dictator games, in which the dictator decides between two allocations on how to distribute money between herself and two other anonymous. In one type of games the dictator's payoffs are indifferent in the two options, while in the other type the dictator's payoffs are different. According to subjects' decisions for the former type of games, we classify subjects into three groups with different social motives: (i) efficiency; (ii) maximin and envy; (iii) efficiency, maximin and Fehr-Schmidt-Beta. Based on this classification, we study how subjects make decisions when the selfish motive comes into play. Our results show that decisions take longer time if the selfish option conflicts with the option that would be chosen based on the social motives only. Moreover, response time increases with the difficulty of decisions.

Author(s): Fadong Chen, Urs Fischbacher

Topic: Social Behavior: Other-regarding Preferences, Social Behavior: Norms and Morals

[Back to session: Social Preferences 3](#)

Distributional Preference Types and Ego Depletion

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University of Innsbruck

ABSTRACT:

Conflicts between temptation and self-control are present in our everyday life, being it issues that only impact on oneself (as, for example, the choice of food) or issues that also impact on other people (as, for example, the choice between acting selfishly or acting pro-socially). Self-control is defined as the capacity to modify, change, or override impulses, desires and habitual responses. According to different theories, it relies on a limited resource which gets depleted from exertion. Hence, acts of self control cause short term impairments (i.e., ego depletion) of self-control in subsequent tasks, even if tasks are unrelated. In subsequent tasks, intuitive reasoning is enhanced. Behavior that impacts on other peoples' monetary payoff is shaped, among others, by our distributional or social preferences. By the use of laboratory experiments, we investigate the question how distributional preferences relate to self-control. Are they moderated by ego depletion? And, if so, do different archetypes of distributional preferences react differently to ego depletion? Those questions touch the important issues of nature and stability of other-regarding preferences. In existing models of altruism the decision maker faces a tradeoff between material self-interest and helping others. Do those motives result from the same underlying mechanism, or is one of the two motives impulsive while the other one is deliberate? If one of the two motives is impulsive, which one is it? Is selfishness an implicit motive of all types of distributional preference types? We will obtain the first results by the first week of June, 2014, and our focus will lie on comparing subjects' behavior in the test of distributional preferences of week one and week two and across treatment condition and control. The test makes it possible to investigate how different distributional preference types cope with issues of self-control. For example, altruistic types may have

an underlying intrinsic motivation for helping others. If this is the case, then, following an ego depletion task, altruistic subjects should be even more altruistic than altruists that did not have to complete the ego depletion task. On the other hand, altruistic subjects may just have a stronger self-control than other subjects. In this case, while they should be able to longer withstand an ego depletion task, they should still become less altruistic than the subjects in the control group. Finally, if distributional preferences are completely unrelated to ego depletion, then altruistic types may not react at all to the ego depletion task. Similar expectations hold for the other types. More broadly, if we find that subjects change their type, this indicates that there is another layer ``below" the distributional preferences influencing subjects' behavior, which determines whether selfish or fairness concerns are the deliberate processes that need to be controlled. On the other hand, if subjects' types stay stable, this indicates that ego depletion has little impact on distributional preferences.

Author(s): Loukas Balafoutas, Rudolf Kerschbamer, Regine Oexl

Topic: Social Behavior: Other-regarding Preferences, Social Behavior: Other

[Back to session: Social Preferences 3](#)

Social preferences and age: Inherent differences or artefact?

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University of Heidelberg

ABSTRACT:

Experimental and field evidence on giving and donation behavior indicates a direct positive link between social preferences and age (List, 2004; Engel, 2011; Charities Aid Foundation UK, 2012). The most striking differences are observed between mature individuals above the age of 60 and young individuals in their 20s. Such differences might cast doubt on the generalizability of experimental results as observed behavior among the primarily-invited student subjects might not be applicable for the entire population. In our study we run a double-anonymous dictator game in a give and take frame to identify and disentangle the source for such apparent differences in social preferences across two age groups, i.e. students in their 20s and mature subjects aged 60 or older. So far our sample consists of 212 observations and we find that mature individuals are inherently more generous than students regardless of other experimental influences.

Author(s): Sara Elisa Kettner; Israel Waichman

Topic: Social Behavior: Other-regarding Preferences, N/A

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Social Norm Choice

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University of Tasmania

ABSTRACT:

This paper presents an experiment in which participants play a coordination game to choose between two competing social norms: the social norm that people should be paid according to their effort, and the social norm payments should be shared equally. In our experiment participants are asked to coordinate on one of two actions, each of which corresponds to one of the social norms. The payment made to the participants depends on how well each participant coordinates their choices with other participants. We conducted two treatments. The first treatment consisted of two stages. In the first stage participants undertook a real effort task, involving the manipulation of sliders on a computer screen. This provided each participant with a score. The payment made to each of the participants was determined by decisions participants made in the second stage. In that stage each participant was separately paired with each of the 12 other participants in the computer laboratory. Each pair of players independently made a decision, based on the coordination game, which resulted in their payment. At this time players were asked, using a 5 point Likert scale, to identify the likelihood each of their partners would play each of the strategies. Treatment 2 was identical to the first treatment except in the way points were allocated. Rather than earning points as in treatment 1, in treatment 2 every participant was randomly assigned a number of points. These points represent the participant's 'assigned allocation'. The assigned points allocated were drawn from the distribution of scores achieved in the real effort task in treatment 1. In both treatments, when all participants had submitted their decisions, participants were shown the outcome of each of the 12 decisions. They then undertook a questionnaire. The questionnaire first asked, on a 5 point Likert scale, how fair they thought each of the outcomes was. They were then asked a series of demographic questions (age, gender, citizenship, ethnicity, enrolment degree). Finally they were asked a series of questions on their psychological makeup (risk aversion, big 5 personality traits, locus of control). Our hypothesis, based on previous theoretical analyses, was that the social norm of payment according to effort would dominate in treatment 1 and equal payments would dominate in treatment 2. We indeed found that 'equal payment' norm dominated in the second treatment. However in the first treatment, against expectation, slightly more participants chose equal payment than payment according to effort. We interpret this outcome as resulting from a conflict of social norms. We observed a reduction in aggregate payments and measures of fairness in treatment 1 relative to treatment 2, which we again attribute to conflict over social norm choice. A substantial number of participants followed a social norm even when they expected their partner nor to. An analysis of the determinants of social norm choice, in terms of collected demographic variables, is also presented.

Author(s): Nilss Olekalns, Hugh Sibly and Amy Beth Corman
Topic: Games: Coordination, Social Behavior: Norms and Morals
[Back to session: Social Norms](#)

Anonymity and norms in the dictator game.

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ABSTRACT:

Antisocial behaviour, including deception, bullying, and harassment, is prevalent on the internet. Using an experimental dictator game we investigate the impact of anonymity, one factor that characterizes much online interaction. We consider two possible explanations of why behaviour may change under anonymity: norms of behaviour may be different, or the desire to conform to those norms may weaken. We find that norms are unchanged between treatments, but subjects' implicit willingness to pay to

adhere to the norm is substantially lower when dictators are anonymous. This effect is driven largely by males. We find that the treatment effect also correlates with questionnaire data on internet behaviour, evidence of external validity of our experiment.

Author(s): Eryk Kryowski, James Tremewan

Topic: Social Behavior: Norms and Morals, Social Behavior: Other-regarding Preferences

[Back to session: Social Norms](#)

To Punish or to Reward? An Experimental Study of Behavioral Sanctioning Norms

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ABSTRACT:

How do people choose between reward and punishment in order to enforce a fairness norm? We investigate this question in a four-person mini dictator game with a sanctioning option. In this game a mechanism designer decides whether reward or punishment is available as a sanctioning device. Another person, the mechanism implementer, is informed about the decision of the dictator and can then decide whether the available mechanism is implemented or not. We find that designers select the punishment mechanism when the unkind action was the rare choice and the reward mechanism when the kind action was the rare choice. In addition, implementers punish more frequently when the unkind action is rare and reward more frequently when the kind action is rare. This is in line with implementers applying a Levine (1998) style intention attribution and designers providing the mechanism that is more likely to be desired. Decision time analysis corroborates this view for the punishment and for the design decisions.

Author(s): Urs Fischbacher, Konstantin Hesler

Topic: Social Behavior: Norms and Morals, Social Behavior: Other-regarding Preferences

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Adaptive norm compliance across a border

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University of Konstanz

ABSTRACT:

We show evidence for norm compliance that adapts to different social environment. In a cross-border experiment, we observe the non-littering norm in Eastern Switzerland and South-Western Germany. We observe residents of the two countries in locations on both sides of the border. Thus, we are able to observe customary adherence to a local norm, and adaptive behavior in territories other than the habitual environment. Our data reveal strong indications that participants adjust their behavior in accordance with the prevalent social norm of the local community. All main findings are corroborated in an additional survey.

Groups, Group Members and Individuals: Choices and Impulses in Repeated Risky Decisions

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ABSTRACT:

Voting groups such as parliaments, judicial panels, corporate boards and committees make highly consequential, repeated, decisions. Yet, little is known about how groups react to past successes and failures when facing a similar decision. Our experiments involve repeated decisions between two gambles; agents are either groups of three members whose final decision is determined via a majority rule, or individuals choosing only for themselves. Surprisingly, groups did not perform better than individuals. Moreover, group members learned more slowly than individuals. The dynamics of choices over time exhibited by groups, and their members, indicated reactivity to the most recent outcome 'to both received and forgone payoffs. Group reactivity was even stronger than individuals'. In group members' reactivity we observed possible influences of increased responsibility, conformism, and pivotality. These forces at play in the decision-making of group members might explain their slower learning.

Author(s): Einav Hart, Deborah Marciano-Romm, Eyal Winter
Topic: Social Behavior: Group Behavior, Public Choice: Other
[Back to session: Group Identity](#)

Social identity and effort provision in a competitive framework

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ABSTRACT:

Individuals' belonging to social groups impacts their understanding of who they are 'defined as their social identity' and how they should behave. The use of controlled experiments has recently allowed investigating the role of social identity in individual and pro-social behaviors. This study contributes to this literature by exploring the effects of induced group identity on effort provision in a competitive framework. Our experimental design consists in inducing two identity groups (blue and red) and implementing competition between two working teams which are composed of a majority of blue (team B) or red members (team R). As expected from our theoretical predictions, we observe that subjects working in a team which matches their own identity are more willing to cooperate. On the other hand, subjects cooperate less when associated with opposite identity members. We manipulate the framing of our experiment to disentangle between group attachment and strategic concerns. Explicitly expressing

identity group belonging does have an impact on individual behaviors. Effort provision notably converges faster towards Nash equilibrium. Results also suggest that women and men differ in their response to identity framing.

Author(s): Gabin Langevin and Emmanuel Peterle

Topic: Social Behavior: Group Behavior, Games: Contests

[Back to session: Group Identity](#)

To friends everything, to strangers the law? An experimental study on group identity, contract enforcement, and trust relations

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ABSTRACT:

The role of shared group identity (e.g. ethnic ties) in facilitating trust-based relations when legal institutions are weak has been explored in the work of Greif (1993) and Landa (1981) among others. It remains an open question whether more trusting and trustworthy behavior takes place because of structural factors that come with shared group identity (e.g. higher levels of communication, expectations of future interactions) or because of shared group identity per se. This study addresses the gap in the literature through a laboratory experiment that isolates the effects of shared group identity on trust and trustworthy behavior when contract enforcement is weak by employing a minimal groups paradigm pioneered by Tajfel, Billig, Bundy, and Flament (1971). Preliminary findings show that trusting behavior improves as contract enforcement increases but is not affected by shared group identity. However, trustworthy behavior under low levels of contract enforcement is more likely to occur in interactions with-group members than out-group members.

Author(s): Marian Panganiban

Topic: Social Behavior: Group Behavior, Social Behavior: Other

[Back to session: Group Identity](#)

Group identity and legislative bargaining

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University of Warwick

ABSTRACT:

Many experiments examine the effect of groups on individuals' behaviour, but we know little about how groups are created. We study group identity in the Baron and Ferejohn (1989) legislative bargaining game. In some treatments, group identities are assigned exogenously. In others, we allow identities to develop during repeated rounds of bargaining. We test how group identity affects choice of coalition partners, and whether subjects can manipulate group membership to increase their payoff.

Author(s): Denise Laroze, David Hugh-Jones

Topic: Social Behavior: Group Behavior, Public Choice: Voting and Rent Seeking
[Back to session: Group Identity](#)

Does the Study Abroad Experience Affect Attitudes Towards other Nationalities?

**Jana Cahlikova, jana.cahlikova@cerge-ei.cz
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ABSTRACT:

Every year, millions of people move to a foreign country for school or work. This research provides first evidence on whether such international experience can shift preferences and stereotypes towards other nationalities. Stereotypes can be affected if people learn about differences in behaviors and values across countries, while preferences can be affected through changes to individual's identity. We test these channels using the largest study abroad program in the world - the Erasmus program - as a source of variation in international experience. Students about to participate in the Erasmus program are taken as a control group for students who have just returned. Individuals make decisions in a Trust Game and in a Triple Dictator Game. Results show students with study-abroad experience exhibit lower trust towards partners from Southern Europe. This discrimination pattern corresponds to the variation in interpersonal trust across Europe, and the results overall support the hypothesis that participants learn about cross-country variation in behavior and values while abroad. Thus, statistical discrimination becomes more relevant with increased international experience. Contrary to the popular EU argument, the strength of "European identity" does not increase with Erasmus. Rather, this story seems to capture the (self-) selection effect as there is a difference between students who go abroad and those who do not.

Author(s): Jana Cahlikova

Topic: Social Behavior: Other, Methodology: Lab, Field and External Validity
[Back to session: Social Exposure](#)

Social comparison in the lab: The role of anonymity and visibility of buying status

**Jeroen Nieboer, jeroen@nieboer.org
University of Nottingham**

ABSTRACT:

People care about social comparisons because they confer status. Laboratory experiments have found that people are willing to give up money to attain higher social status, even when higher social status does not lead to any monetary benefits. Specifically, Charness et al. (2014) find that about one third of subjects are willing to give up a substantial part of their earnings to compare favourably to others in a real-effort task. I suggest that these findings might even underestimate the actual amount of social status spending in the real world, due to two features of the experimental design: subjects were anonymous (player 1, player 2, etc.) and it was possible for subjects to see how much others had spent on status. The present experiment investigates this hypothesis by modifying two variables in a 2x2 design: substituting

anonymous player numbers with subject names, and hiding the amount of status points bought from a subject's peers. I find that both of these manipulations increase the total amount of status spending.

Author(s): Jeroen Nieboer
Topic: Social Behavior: Other, N/A
[Back to session: Social Exposure](#)

More than attitude? Testing the behavioral correlates of the mere exposure effect

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ABSTRACT:

A substantial literature in social psychology has shown evidence of a mere exposure effect, by which affect towards objects improves with repeated viewing. Much of the literature has focused on the mechanism behind this effect, distinguishing a 'cognitive fluency' explanation from a pure affect explanation. In this paper, we take another tack, investigating whether the affect established by psychologists translates into potentially costly behavioral changes. Specifically, we embed the mere exposure treatment in a gift-exchange game. We find that first-stage transfers replicate the established phenomenon, with generosity rising with exposure at low levels, and falling at high ones. However, second-stage returns, while correlated with first-stage transfers, do not seem to be affected by exposure. The results therefore suggest that the mere exposure effect may have an impact on behavior, but a somewhat fragile one, or perhaps secondary to that which comes from direct information about one's co-players.

Author(s): Eli Spiegelman
Topic: Social Behavior: Other, N/A
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