2016 European meeting of the Economic Science Association

31 August – 3 September

Norwegian School of Economics in Bergen, Norway

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Can welfare improving regulations be crowded in?

Presenter:

Anna Lou Abatayo, University of Copenhagen

Co-authors:

Bo Jellesmark Thorsen

Abstract:

Can welfare improving choices be crowded-in? In this paper, we investigate how experiencing a welfare improving regulation can affect individual choices. Using a repeated minimum effort game, we compare how individual choices change when they are forced to coordinate at the highest effort level. We vary when this happens. In one treatment, individuals are forced in the first round, when they have no knowledge about the behavior of their group members. In another treatment, individuals are forced in the second round, after they have formed impressions about their group members. Running these experiments in Denmark, Spain and Ghana, our results show a clear crowding-in effect for Denmark and Spain, but for Ghana. Forcing individuals in either the first or second rounds lead to higher average effort choices in the succeeding rounds than not forcing. In Spain, we find that forcing in round 2 leads to higher average effort choices in the succeeding rounds than forcing in round 1. The same result does not apply to Denmark.

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Mitigating the gender gap in the willingness to compete: evidence from a randomized grit intervention

Presenter:

Sule Alan, University of Essex

Co-authors:

Seda Ertaç

Abstract:

The lower willingness of females to compete is extensively documented, and has a wide range of implications including gender gaps in occupational choice, achievement and labor market outcomes. In this paper, we show that one of the driving forces of competitive behavior is grit, a skill that is highly predictive of achievement, and evaluate the impact on competitiveness of a randomized educational intervention that aims to foster grit. The intervention is implemented in a sample of elementary schools, and we measure its impact using a dynamic competition task with interim performance feedback. We find that when children are exposed to an optimistic worldview that emphasizes the role of effort in achievement and encourages perseverance, the gender gap in the willingness to compete disappears. We propose the effect of this treatment on self-confidence and perseverance as a potential mechanism to explain the results.

Decision-making within the household: the role of preference difference and autonomy

Presenter:

Yonas Alem, University of Gothenburg

Co-authors:

Sied Hassen, Gunnar Køhlin

Abstract:

Decision-making by a couple has far-reaching implications on the welfare of all members of the household. In this paper, we use a novel field experiment to identify how autonomy and preference differences within the household result in sub-optimal adoption of technologies that maximise the welfare of the entire household. We specifically investigate willingness-to pay for energy-efficient cookstoves which improve the well-being of all members of the household by running a real stove purchase experiment with randomly chosen husbands, wives and joint couples. We document significant effects of differences in both intra-household bargaining power and preferences on willingness-to-pay for improved cookstoves. Women who are empowered to make independent decision reveal a higher willingness-to-pay for the improved cookstoves, while those with a lower decision making power reveal a lower willingness-to-pay, which is comparable with that of men. However, a follow-up survey conducted long after the stove distribution shows that bargaining power does not have any effect on how quickly the new stove was put into use. Our findings highlight the importance of considering preference and bargaining power differences within the household while promoting adoption of technologies that improve the welfare of all household members.

Measuring and changing control: women's empowerment and targeted transfers

Presenter:

Ingvild Almås, Norwegian School of Economics

Co-authors:

Alex Armand, Orazio Attanasio, Pedro Carneiro

Abstract:

This paper studies how targeted cash transfers to women affect their empowerment. We use a novel identification strategy to measure women's willingness to pay to receive cash transfers instead of their partner receiving it. We apply this among women living in poor households in urban Macedonia. We match experimental data with a unique policy intervention (CCT) in Macedonia offering poor households cash transfers conditional on having their children attending secondary school. The program randomized whether the transfer was offered to household heads or mothers at municipality level, providing us with an exogenous source of variation in (offered) transfers. We show that women who were offered the transfer reveal a lower willingness to pay, and we show that this is in line with theoretical predictions.

Subliminal influence on generosity

Presenter:

Ola Andersson, Research Institute of Industrial Economics

Co-authors:

Topi Miettinen, Kaisa Hytønen, Magnus Johannesson, Ute Stephan

Abstract:

We experimentally prime subjects subliminally prior to charity donation decisions by showing words that have connotations to pro-social values for a very short duration of time (17ms). Our main finding is that, compared to a baseline condition, the pro-social prime increases donations by about 10-17 percent among subjects with strong pro-social preferences (universalisms values). We find a similar effect when interacting the prime with the Big5 personality characteristic of agreeableness. We furthermore introduce a novel method for testing for priming "subliminity". This method reveals that some subjects are capable of recognizing prime words, and the results are overall weaker when we control for this capacity.

Incentive based compensation and objectivity among internal auditors

Presenter:

Loukas Balafoutas, University of Innsbruck

Co-authors:

Simon Czermak, Marc Eulerich, Helena Fornwagner

Abstract:

This study examines the behavior of internal auditors under different incentive schemes. It has been suggested in the literature that incentive-pay compensation for auditors has the potential to lead to dishonest behavior on their part, for instance when their payoff depends on the performance of the unit that they are auditing. We conduct a lab-in-the-field experiment with internal auditors during a large conference and evaluate their performance and objectivity, measured as the extent to which they detect and report mistakes in a real-effort task. We vary their incentives from individual (piece rate) to competitive (tournament against other auditors) and collective (based on performance within a team). We also vary the opportunities that auditors have to manipulate and misreport the performance of themselves and of others. Hence, we are able to measure performance, honesty, as well as strategic over-reporting and under-reporting (sabotage) within our sample of auditors and to link our results to personal and firm-level characteristics.

Does reasoning explain choice? Evidence from coordination problems

Presenter:

Nicholas Bardsley, University of Reading

Co-authors:

Rachel McCloy, Simone Pfuderer, Aljaz Ule

Abstract:

We report on experiments on team reasoning (TR), designed to elicit in incentivised mode both choices and the reasoning behind choices. According to TR theory, people have a disposition to act as members of larger units, which may operate even if they are acting independently (Sugden, 1993; Bacharach, 1999, 2006). Existing evidence for TR comes from experimental coordination games, in which pairs of subjects have multiple options to choose from, but share a prize if and only if their choices match. TR can explain much of observed play in pure coordination games, where the equilibria all offer equal payoffs, and Hi-Lo games, where the equilibria are Pareto-ranked (Mehta et al., 1994; Bardsley et al., 2010). But the evidence consists primarily of choice data, which are not directly informative about cognitive processes. Some qualitative evidence indicative of TR has been collected by Colman et al. (2014), but the extent of the disposition remains unclear because the games studied allowed a relatively wide range of reasons for action to be activated. We only use coordination games in which both players receive equal payoffs, thereby excluding interference from social preferences and heuristics relating to minimum payoffs. We also improve on the way data on reasoning are collected. There is evidence that many subjects follow advice in experimental games (Schotter and Sopher, 2003; Celen et al., 2010). We develop a design that exploits this fact to enable data on reasoning to be collected in an incentive-compatible manner. The advice given constitutes the data which are analysed to test the main hypothesis: people invoke team reasoning (TR) when justifying their decisions in the games where evidence of TR has been claimed. Both choices and advice are consistent with widespread team reasoning, but other behaviours posited in the coordination literature are also evidenced to some extent, including variants of cognitive hierarchy theory.

Belief-action consistency: framing of belief elicitation in strategic interaction

Presenter:

Dominik Bauer, University of Konstanz

Abstract:

In experimental studies, beliefs are often elicited as additional explanatory variables. There is a debate about how participants form their reported beliefs and how they relate to behavior. This study documents how different elicitation mechanisms influence reported beliefs in predictable ways, and what that means for measured belief-action consistency. The standard theory benchmark has player's choose a utility-maximizing best-response to their beliefs. On the other hand, a player influenced by self-similarity (Rubinstein & Salant 2016) believes that others are similar to herself, biasing beliefs towards the own action. I use a series of two player, four-option, one-shot discoordination games, thereby excluding social- and risk preferences by design. In this game the effect of self-similarity and the standard theory of actions being consistent with beliefs are opposed. Self-similarity predicts that reported beliefs place a high probability on the own action, leading to low best-response rates. In a 2x2 design, the first treatment dimension varies whether beliefs are elicited in one of two theoretically equivalent, but differently framed ways. One frame asks for beliefs about the current matching partner (opponent frame) and the other elicits beliefs about the whole population of participants (population frame). On the second dimension, the action and belief tasks are either timed one after the other in each period (alternating) or such that first all actions for all periods are chosen and only after that all beliefs are reported (blocks). I find evidence for self-similarity when using the population frame with alternating tasks. Belief reports are clearly biased towards the own action. This effect is sufficiently strong so that the best-response rate is lower compared to the opponent frame. There is no significant difference between frames in the blocks treatment. Reported beliefs resemble those in the population frame with alternating tasks and best-response rates are surprisingly low. This might be the case because participants have been directly reminded of their own action when reporting beliefs here, triggering self-similarity considerations independently of the frame.

Understanding diffusion of responsibility in anti-social behavior

Presenter:

Sascha Behnk, University of Zurich

Co-authors:

Li Hao, Ernesto Reuben

Abstract:

Using a modified sender-receiver game, we study how the presence of a second sender affects the tendency of sending anti-social messages to the receiver in two contexts: when the anti-social message is deceptive (deception treatment), and when it is honest but unfavorable to the receiver (bitter pill treatment). We find a significant increase in anti-social behavior when a second sender is present in both contexts. Senders' decisions in our game are submitted anonymously via the strategy method, suggesting that diffusion of responsibility alone can explain increased anti-social behavior, as we have eliminated alternative explanations: (1) the possibility of norm learning in market interactions and group decisions, and (2) markets' framing and focus on monetary gains (Falk and Szech, 2013). Senders' perceived acceptability of sending anti-social offers are predictive of the difference in their anti-social decisions between 1-sender and 2-sender games, whereas their second-order beliefs on receivers' predictions of anti-social offers explains individual differences. Consistently, we find that senders report the highest guilt level when the receiver follows the advice from an anti-social message.

Mind, behaviour and health - a randomised experiment

Presenter:

Hannah Behrendt, University of Edinburgh

Co-authors:

Yonas Alem, Michele Belot, Aniko Biro

Abstract:

This paper investigates the effects of a psychological intervention, consisting of 'mindfulness' training, on behavioural attitudes towards risk and time, as well as on health-related behaviours. Mindfulness is thought to improve executive function and reduce stress, mechanisms which are believed to play a role in health-related behaviours. We conduct a randomised field experiment with 139 participants, half of whom receive a four-week mindfulness training while the other half are asked to watch a four-week series of historical documentaries. We find evidence that mindfulness training reduces perceived stress, but only weak evidence of impacts on behavioural traits and health-related behaviours. Our findings have significant implications for a new domain of research on training the mind to alter behavioural traits and biases that play an important role in lifestyle.

Crime without punishment: an experimental study of nature and causes of punishment in public goods games

Presenter:

Alexis Belianin, ICEF, Higher School of Economics

Abstract:

The public goods (PG) game is one of the main workshorses of modern experimental research, and one of the major tools for investigation of social cooperation. It has been extensively studied in a number of contexts and under a variety of institutions, including the possibility of punishment of some participants by the other participants. Such punishments are known to be efficient as a tool of sustaining cooperation in the game; yet the exact nature and reasons why people punish each other to a large extent remains unexplored. In particular, in a series of recent experiments Simon Gaechter and Benedikt Herrmann observe a puzzling phenomenon of spiteful punishment: a nonnegligible fraction of players tend to punish those who have contributed more than they did. This observation is remarkably robust in some countries, and casts doubts as to whether punishments in the PG context really serve the goal to express one's emotional dissatisfaction with low level of cooperation. In this work we study the punishment strategies in a systematic way, disentangling several possible explanations for this behaviour: 1) competitive, that is trying to gain more than other players in the experiment; 2) retaliation, or dissaticfaction with others' behaviour vs own contribution; 3) jealousy, or disapproval of deviation of one's contribution from the social norm; 4) preemptive, trying to retaliate for the possible punishment on the part of the other player; 5) availability, punishment because the experimental design suggests this option; 6) tolerance towards punishment; finally, 7) availability of punishment option. We set and ran a series of experiments in the various cities of Russia, which establishes that most important determinant of antisocial punishment is fear of being punished (preemption), followed by willingness to outperform one's peers (competitiveness); for prosocial punishment major motives include deviation from own contribution and normative standard. To qualify these conclusions, we use multilevel structural models (gllamm) which confirm the prevalence of these phenomena over the classical explanations of emotional dissatisfaction with others' behaviour, and in particular, their role in determining spiteful punishments.

Endowment heterogeneity and cooperation among spouses: experimental evidence from Ethiopia

Presenter:

Kjetil Bjorvatn, Norwegian School of Economics

Co-authors:

Tigabu Degu, Sandra Halvorsen

Abstract:

Ethiopia is one of the fastest growing economies in Africa, with a strong expansion in export-oriented, labor-intensive industries, which has created employment opportunities for women. According to conventional wisdom, income in the hands of a woman has stronger pro-social effects than a similar income in the hands of a man. The present paper tests this prediction in a laboratory setting, where we invited spouses in Ethiopia to play public good games. We investigate situations with heterogeneous household income, where either the husband or the wife has the higher initial endowment, and where both parties are informed about the endowments.

Inequality, fairness and reciprocity in public goods provision

Presenter:

Kjetil Bjorvatn, Norwegian School of Economics

Co-authors:

Nicola D. Coniglio

Abstract:

In this paper we investigate experimentally how inequality, in source of income, in level of income, and both source and level, affects cooperation, as implemented in a linear public good game. The experiment was conducted among 240 students at the University of Bari, Italy. We identify two main forces affecting cooperation: fairness and reciprocity. Fairness concerns induce disadvantaged individuals to contribute less and advantaged individuals to contribute more. Reciprocity, on the other hand, pulls in the opposite direction; disadvantaged individuals expect that advantaged ones contribute more, and this may in turn induce the former to increase their contribution, and vice versa. For public goods provision, the question is which effect is stronger.

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Identifying referents: an experimental study

Presenter:

Paul Blacklow, University of Tasmania

Co-authors:

Ian McDonald, Hugh Sibly

Abstract:

People compare themselves to others. People use reference groups act as a frame of reference to evaluate their standing in a variety of domains. Festinger suggests that a person's reference group consists of people who are "close to [their] own ability". There are two natural referents for an individual: the rates of exchange their past selves experienced and the rates of exchange their peers currently experience. Which referent is utilised will result in important differences in economic outcomes. In this paper, we use a two stage experiment to investigate if, and how, people use their past selves or peers as referents. The first stage sets up the past/status quo payment. In the second stage participants undertakes a 3-person mini-ultimatum game. The 3-person mini-ultimatum in the second stage is used to assess the relative importance of the two potential referents. It is found that peer payment has a significant effect on offers, particularly when payments vary across the two stages.

Money or fun? Why students want to pursue further education

Presenter:

Teodora Boneva, University College London

Co-authors:

Christopher Belfield, Christopher Rauh, Jonathan Shaw

Abstract:

We study students' motives for educational attainment in a unique survey of 885 secondary school students in the UK. Consistent with the previous literature, we find that students who perceive the monetary returns to education to be higher to also be more likely to intend to continue in full-time education. While differences in perceived monetary returns can explain some of the variation in individual responses, a much larger share can be explained by differences in the perceived consumption value of further education. The perceived consumption value alone can explain 43-51% of the variation in responses. We find evidence for large socio-economic differences in the perceived consumption value of further education, and document that differences in the perceived consumption value can account for a substantial part of the socio-economic gap in whether students plan to continue in full-time education.

Time preferences and field conservation decisions: evidence from a Thai coastal village

Presenter:

Suparee Boonmanunt, University of Cologne

Co-authors:

Thomas Lauer, Bettina Rockenbach, Arne Weiss

Abstract:

This study examines a relationship between individual time preferences and field conservation decisions. We conduct a lab-in-the-field experiment with 180 Thai coastal villagers to elicit their time preferences, both long-run discounting and present-biased preferences. Then, we organize a mangrove planting activity to observe participants' actual active contribution to a conservation activity. We use number of individual planted mangrove seeds as a proxy for field conservation decisions. Also, as another proxy for conservation decisions, we have participants' membership status in the conservation group. We find that less present-biased participants contribute more to the mangrove planting activity and are more likely to be members of the conservation group. Our findings suggest that the conservation group might work as a commitment and learning device. Our results support the formation of such groups to involve local communities to conserve resources, on which their livelihood relies on.

Regional disparities in cooperation: unlocking the black box

Presenter:

Stefania Bortolotti, University of Cologne

Co-authors:

Maria Bigoni, Marco Casari, Gambetta Gambetta

Abstract:

We present an experimental study on the determinants of the resilient cooperation divide between Northern and Southern Italian regions documented in Bigoni et al. (2016). We test two behavioral mechanisms that can account for the previous results: (i) conditional cooperation --and expectations thereof; and (ii) betrayal aversion. The two interpretations lead to distinct behavioral predictions when moving from in-group to out-group cooperation. We exploited the fact that University of Bologna attracts students from all Italian regions and this heterogeneity is reflected in our subject-pool. Our findings suggest that Southerners are not less cooperative per-se, but they rather hold more pessimistic expectations about their fellow citizens. While we acknowledge that variations in external factors and incentives may contribute to the existing North-South divide in Italy, we maintain that successful policies should also foster positive expectations.

Increasing tax compliance - auditing, tax moral appeals, or both? A lab experiment

Presenter:

Kristina Bott, Chr. Michelsen Institute

Abstract:

In a novel public good game design, this paper explores the impact of an interaction between audit probabilities and moral reminders on tax compliance. Some participants earn money and make decisions about tax payments, while others perform the same real effort task and spend the time in the lab, but are not asked to pay taxes. Instead of incomes, the latter group receives taxes paid by the former group. Moral reminders inform one treatment group that a majority of taxpayers behave in accordance with taxation rules. While audit probabilities and tax contributions are positively correlated, tax compliance is surprisingly high in a zero audit probability context. This is contrary to predictions as in Allingham and Sandmo (1972). Moral reminders play an important role in increasing tax compliance, and the more personal the information the more impactful it is. No evidence of an interaction effect of audit probabilities and moral reminders is found.

Emotional correlates of higher order risk attitudes

Presenter:

Adriana Breaban, Tilburg University

Co-authors:

Charles Noussair, Gijs van de Kuilen

Abstract:

Recent experimental evidence shows that higher risk attitudes of prudence and temperance are correlated to savings and riskiness of portfolio choices (Noussair et al., 2013, which is in line with the precautionary savings theory.

Here we investigate the extent to which individuals' emotional state affects their decision making when facing risky lotteries in terms of prudence and temperance. We design an experimental setting in which subjects are exposed to risky lotteries in the gain and loss domain, while their emotions are being tracked with the face recognition software called Facereader by Noldus. We test the hypotheses that more fearful subjects are more prudent and temperate, as they are more risk averse (Nguyen and Noussair, 2014), and that subjects in a more positive emotional state are more imprudent and intemperate.

When kindness generates unkindness. Why positive framing cannot solve the tragedy of the commons, an experimental investigation

Presenter:

Kjell Arne Brekke, University of Oslo

Co-authors:

Elisabeth Thuestad Isaksen, Andries Richter

Abstract:

We replicate the result by Andreoni, that contributions to a linear public good (PG) are higher if the externality is framed positively, rather than negatively. We further show that this finding does not carry over to a non-linear PG game or the common pool resource (CPR) game. We find that the presence of a framing effect is largely affected by whether a social dilemma features strategic interactions. In the linear PG game, the best response is always to contribute nothing, and hence, independent of actions by others. With reciprocal preferences, however, contributions serve as strategic complements and kindness generates more kindness. With multiple equilibria a positive frame facilitates cooperators to coordinate on a cooperative equilibrium. In the CPR game and the non-linear PG game, the best response would be to contribute less if others contribute more. The material incentives hence counteract the effect of reciprocity, and the frame no longer serves as a coordination device. Positive framing therefore does not help to solve the tragedy of the commons. Further, we find that rivalry, as present in the CPR, is eroding the foundation of reciprocal interactions as the ones who contribute most are the ones who benefit least. In line with these results, we find that cooperation is highest in the linear PG game, and lowest in the CPR game.

Bringing a natural experiment into the laboratory: the measurement of individual risk attitudes

Presenter:

Zuzana Brokesova, University of Economics in Bratislava

Co-authors:

Cary Deck, Jana Peliova

Abstract:

Controlled laboratory experiments have become a generally accepted method for studying economic behavior, but there are two issues that regularly arise with such work. The first pertains to the ability to generalize experimental results outside the laboratory. While laboratory experiments are typically designed to mimic naturally occurring situations, ceteris paribus comparisons are rare. Using data from a promotional campaign by a bank and a matching laboratory experiment, we find similar patterns of risk taking behavior controlling for gender and age. The second issue pertains to the impact that the payment procedure in an experiment has on observed risk taking behavior. Specifically, we compare behavior on a risk taking task where that is the only task and payment is assured, where it is one of several similar tasks of which one will be randomly selected for payment, and where it is the only task but there is only a small probability of receiving payment. We find similar behavior across these three payment procedures.

Bribery, centralized sanctioning and cooperation in public good games

Presenter:

Justin Buffat, University of Cologne

Co-authors:

Julien Senn

Abstract:

While centralized sanctioning authorities have many advantages (e.g. cost effective and immune to coordination failure), one downside is their potential sensitivity to corrupted behavior such as bribery. We propose a novel experimental design the channels through which bribery affects cooperation. In a laboratory experiment, groups of four, 3 contributors and 1 enforcement agent, played a modified public-good game where the rights to punish others are delegated to the enforcement agent. In treatment BRIBE, contributors could make a transfer to the enforcement agent after the contribution stage, but before the enforcement agent assigns deduction points. In the NO BRIBE treatment, transfers to the enforcement agent were not possible. Although cooperation does exist in the presence of bribery, we document a large and significant drop in cooperation in BRIBE compared to NO BRIBE. The data suggests that low contributors were able to tame the sanctioning authority with higher bribes, which in turn discouraged high contributors from contributing. The data finally provides evidence for the existence of two types of enforcement agents: (i) those maximizing their own profits by extracting bribes from the contributors, and (ii) those maximizing the sum of contributions to the public good.

Communication with partially verifiable information: an experiment

Presenter:

Valeria Burdea, University of Nottingham

Co-authors:

Maria Montero, Martin Sefton

Abstract:

We study the effect of verification control in a communication game with partially verifiable information. In this game, an informed party (the sender) sends a two-dimensional message to a decision-maker (the receiver), but only one dimension of the sender's claim can be verified. We use laboratory experiments to compare strategic behaviour in situations where the receiver chooses which aspect to verify and cases where the sender has this verification control. We find that both parties benefit when the receiver is the one who decides which dimension to verify. This is not due to more informative messages but rather to lower skepticism on the receiver's part when the verified dimension is in accord with the message sent. The findings of this study provide guidance for potential employers, judges or investors as to which decision-making environment promotes fewer erroneous choices.

How stress affects performance and competitiveness across gender

Presenter:

Jana Cahlikova, Max Planck Institute for Tax Law and Public Finance

Co-authors:

Lubomir Cingl, Ian Levely

Abstract:

We study how psychosocial stress affects willingness to compete and performance under tournament incentives across gender. We use a laboratory economic experiment in which a task is compensated under both tournament and piece-rate schemes and elicit subjects' willingness to compete. Stress is exogenously introduced through a modified version of the Trier Social Stress Test, and stress response is measured by salivary cortisol levels. We find that stress reduces willingness to compete. For female subjects, this can be explained by performance: while tournament incentives increase output in the control group, women in the stress treatment actually perform worse when competition is introduced. For males, output is not affected by the stress treatment and lower competitiveness seems to be preference-based. These results may explain previous findings that men and women react differently to tournament incentives in experiments, as well as gender gaps on the labor market, since many key career events involve competition in stressful settings (e.g. entrance exams or job interviews).

Fires in the Brazilian Amazon: insights on farmers' response to climate change and policies from an economic field experiment.

Presenter:

Federico Cammelli, Norwegian University of Life Sciences

Abstract:

An increasing number of fires in the Brazilian Amazon forest are threatening the benefits of Brazil's successful efforts in reducing deforestation, as well as the livelihoods of local populations. The impact of recurring drought and land use change on fire occurrence and propagation is well documented in literature, however the origin of ignition sources is still understudied. Fires have a wide range of causes, but they are frequently related to the agricultural use of fire in preparing land for crop cultivation or pasture. Fire control and the adoption of alternative techniques are a typical example of a coordination problem, since their return and effectiveness for one farmer depends on the neighbors' actions. Here we use a framed field experiment to test the ex-ante impact of three standard fire mitigation policy mechanisms in reducing fire use and increasing fire control: command and control (CAC), payment for environmental services (PES), and community based fire management (COM). Policy mechanisms are tested under two climate change scenarios: stable and increasing drought frequency. This is the first study about fire policies in the Brazilian Amazon out of protected areas, where fires are indeed prevalent. The experiment is conducted with 576 smallholder farmers in 4 municipalities in the state of Parà during October and November 2015. We collect data about participants' choices and beliefs. External validity is checked by comparing experiment and real life choices, we find that participants import in the experiment real life choice set constraints. We find evidence of a social norm prescribing fire control, which is vulnerable to increasing drought risk, but positively interact with policy treatments. Paradoxically the same norm hamper the effect of communication: in a coordination game participants have incentives to reveal their true preferences, however a taboo on uncontrolled fire use limits the credibility of communication. Policy treatments effectively counteract the negative effects of increasing risk, but only CAC impact is robust across drought risk levels.

Helping behavior and group size

Presenter:

Pol Campos-Mercade, Lund University

Co-authors:

Marco Piovesan

Abstract:

If someone needs a person to help her, will larger groups of potential helpers assist her earlier or later than smaller groups? Fifty years of experimental research in social psychology provide mixed evidence. Although in the early years most results pointed out that smaller groups provide help earlier (the so-called bystander effect), recent research has found other situations in which the opposite is true. In this paper, I build a model that accounts for both results. The model is based on the consistent finding from lab experiments that a proportion of subjects behave selfishly. I show that results from the social psychology experiments can be explained by varying the share of selfish individuals. In situations with a high share of selfish individuals, larger groups help earlier than smaller groups. On the contrary, smaller groups help earlier when a low share of individuals behave selfishly. To test the model, I run an economic lab experiment that replicates experiments in which one person needs help from another one, and where providing help implies a cost. Subjects play a dynamic game where they are given the role of either victim or bystander and are matched in groups of one victim and either one, two, or four bystanders. In each group, the victim's payoff decreases over time until a bystander helps her or time runs out. The bystander that decides to help first pays a fixed cost, while the rest do not. Results are in line with the model's predictions: the rate of selfish individuals (30%) is sufficiently high so that larger groups help earlier than smaller groups. This paper's results have implications for employers, managers and heads of department when planning dimensions of offices and work teams.

False positives and false negatives in distributive choices

Presenter:

Alexander W. Cappelen, Norwegian School of Economics

Co-authors:

Bertil Tungodden, Cornelius Cappelen

Abstract:

In many important distributive situations it is difficult to distinguish between individuals who are deserving and individuals who are undeserving. In such situations there is a trade-off between types of mistakes; give to someone who is undeserving it, false positive, and not give to someone who is deserving, false negative. We present the results from the first experimental study of how people make trade-offs between the desire to avoid false positives and the desire to avoid false negatives in distributive choices. We study the behavior of a representative sample of 2000 participants from the US and Norway, who were asked to distribute a sum of money between two groups of workers. In the first group all workers had done an assignment, but in the second group a number of the workers had falsely reported to have done the assignment. We find that the willingness to equalize income between the two groups is decreasing in the number such cheaters in the second group. A large majority of the participants in both countries is, however, more concerned with avoiding false negatives than with avoiding false positives. We also find that the aversion to false negatives is related to political preferences, with right-wing voters being more concerned with false negatives than left-wing voters. Our results suggest that political disagreements is not only about what should be viewed as deserving, but also about how to handle situations in which we cannot distinguish between those who are deserving and those who are undeserving.

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Cheap liers

Presenter:

Valerio Capraro, Centre for Mathematics and Computer Science, Amsterdam

Co-authors:

Pablo Brañas-Garza, Ericka Rascón-Ramírez

Abstract:

Recent research suggests that some people have a positive cost of lying: when confronted with a choice between lying and telling the truth, they tell the truth even in situations in which lying would be a Pareto improvement. However, little is known about how frequent these people are within a population. In this work, we aim at obtaining a quantitative estimation of individuals' cost of lying in a heterogeneous sample of American subjects. Participants were sequentially asked whether they would lie in exchange for 0c, 1c, up to 10c (pro-self block); subsequently, they were asked whether they would lie for 0c, 1c, up to 10c to be given to another anonymous participant (pro-other block). We define the cost of lying for self, l_s, to be the minimum payment that a participant wants for oneself in order to lie. Similarly, we define the cost of lying for others, l_o. We show that around 90% of subjects are cheap liars, that is, l_s = l_o = 1c. Furthermore, we show that this finding is robust across a number of treatment variations and payoff specifications: it holds when we present subjects with the pro-other block before the pro-self block; when we randomise the order in which questions are asked within each block; when we increase the stakes by a factor of 100; and when we make salient the fact that the money used for the experiment comes from research funds. In sum, our results demonstrate that, although some people have a positive cost of lying, the overwhelming majority of subjects are consequentialists and lie as soon as lying has positive consequences, either for themselves or for another participant.

Differences attract: an experimental study of focusing in economic choice

Presenter:

Jim Ingebretsen Carlson, Lund University

Co-authors:

Ola Andersson, Erik Wengstrøm

Abstract:

Limited cognitive capabilities make it hard for decision makers to consider, and properly evaluate, all aspects of the available options. Recently, several new models of choice have postulated that this leads decision makers to focus on certain features and attributes and that the focus varies depending on the composition of the choice set. In this paper, we experimentally test the assumptions of the model of focusing proposed by Köszegi and Szeidl (2013). In their model, each option is described by a vector of attributes. They assume that individuals focus disproportionally on the attributes in which the available options differ more, implying that some attributes will be overweighed. Therefore, individuals are more likely to choose an alternative if its attributes stand out compared to the attributes of the available alternative options. Our experimental results suggest that there exists a focusing effect in line with the assumptions of Köszegi and Szeidl (2013). Our results are robust to splitting the subjects into a variety of subsamples. Yet, we do observe some heterogeneity. In particular, subjects scoring higher on the cognitive reflection test are less affected by the focusing manipulations. Botond Koszegi & Adam Szeidl, 2013. "A Model of Focusing in Economic Choice", The Quarterly Journal of Economics, vol. 128(1), pages 53-104.

"You know I will vote for your boss, but really nothing for me?": the hidden cost of a broker's expertise in clientelism

Presenter:

Han Il Chang, New York University Abu Dhabi

Abstract:

Clientelism, in which politicians offer private transfers to voters in order to mobilize electoral support, is an enduring worldwide phenomenon, although it has been more salient in poor and developing countries. Observing that clientelism has negative impacts on democracy, for example, by undermining the accountability of an elected officer and the provision of public goods, numerous studies have examined what sustains clientelism and found that brokers (often called intermediaries) play crucial roles in delivering private transfers from politicians to voters; brokers improve efficiency in the mobilization of electoral support by (i) utilizing information on the electoral preferences of local voters and (ii) monitoring the electoral behavior of private transfer recipients. Meanwhile, the proposed study experimentally examines unexplored possibilities that a broker affects vote choices via psychological channels, based on existing studies about reciprocity, attribution, and corruption in experimental economics. First, given that information a broker utilizes for the efficient delivery of private transfers can enhance voters' expectation of receiving the transfers, a broker's negligence of providing private transfers may lead voters to disappointment. Then, in order to negatively reciprocate to that negligence, the voters may defect from voting for the candidate whom the broker works for, even though such defection is economically inferior. Second, a broker may encourage clientelistic exchange between a politician and a voter by reducing the voter's moral cost of vote-selling due to the indirect aspect of the exchange. In addition, given that a broker's knowledge of voters' electoral preferences allows the broker to yield discretionary power in determining the recipients of private transfers, the knowledge may further reduce the recipients' moral costs of vote-selling. I design a lab experiment with three conditions to test hypotheses derived from a formal model into which psychological motives for reciprocity and concerns about engagement in corruption are incorporated. Once participants arrive at the experimental lab, they are randomly assigned to one of three experimental conditions, and they read instructions on computer screens. Before beginning the first round, participants complete a short quiz to ensure that they understand the key parts of the experiment (i.e., the payment schedule). In every experimental condition, every six participants form a community; two participants play the roles of Candidates A and B, one participant plays the role of Broker, and the other three participants play the role of Voters. A community lasts three consecutive rounds, during which only the default likelihoods of Candidate A's electoral victory - 0.2, 0.5, and 0.8 - vary in a random order. After the community is resolved, community members are assigned to new roles and new communities. Before completing participation in a session, every participant plays all roles in an order randomly determined at the beginning of the first round. There is only one election in each round, and participants are newly endowed with 10 tokens for the election of the round, regardless of their roles at the round and independently of their choices at other rounds. Three Voters differ in terms of their candidate preferences in a community. One Voter receives 60 tokens from Candidate A's electoral victory, whereas another Voter receives the tokens from Candidate B's electoral victory. The other Voter does not benefit from any electoral result. Knowing his or her own type, every Voter chooses one among three options: voting for Candidate A, abstention, and voting for

Candidate B; each vote for Candidates A and B increases and decreases, respectively, the default likelihood of Candidate A's electoral victory by 0.05, whereas abstention does not affect it. Turnout costs three tokens. In a baseline condition, Candidates A can choose one Voter to give three tokens (i.e., private transfer) - which additionally costs one token as a transition fee - but she can choose no one. Meanwhile, Candidate B and Broker do not make any choice. After Candidate A's decision, every Voter simultaneously makes two independent decisions, one for a hypothetical situation in which a private transfer was given to the Voter and the other hypothetical situation in which it was not given to the Voter; there is no sanctioning on a Voter who neglects returning an electoral supporter in the second hypothetical situation. In the process of determining an electoral result, a computer counts each Voter's decision in accordance to Candidate A's actual decision. Candidates A and B earn 80 tokens only when they win the election, and Broker receives 40 tokens only when Candidate A wins the election. The first manipulation condition is identical to the baseline condition in that any information about Voters' candidate preference is not given to both Candidate A and Broker. However, the strategy sets of Candidate A and Broker change; Candidates A chooses between no provision of a private transfer to any Voter and delegation to Broker to choose one Voter to receive the transfer (delegation costs one token as a transition fee). Meanwhile, Broker chooses which Voter to give a private transfer under the assumption that Candidate A decides to delegate. In the process of determining an electoral outcome, a computer will count Broker's choice only when Candidate A actually chose delegation. The second manipulation condition is identical to the first manipulation condition except that Broker knows Voters' candidate preferences. Participants do not learn anything about others' choices during a session, and they answer questionnaires upon the completion of playing all six roles. Meanwhile, a computer randomly chooses one payment round and determines which candidate wins the election in the payment round, based on the updated likelihood of Candidate A's electoral victory. After completing the questionnaires, participants receive cash based on their roles and the electoral result in the payment round. I fail to find evidence for the role of a broker on reducing the moral cost of vote-selling; under the hypothetical situation in which a private transfer was given, vote choices do not vary (i) between the baseline and first manipulation conditions and (ii) between the first and second manipulation conditions. Meanwhile, I find that experimental data are consistent with the prediction that under the hypothetical situation in which a private transfer was not given, voters are less likely to vote for Candidate A in the second than the first manipulation condition; Broker’s knowledge of voters’ electoral preferences provokes negative reciprocity to the negligence of providing private transfers. Furthermore, that pattern is particularly salient (i) among voters who are indifferent between Candidates A and B and (ii) when the default likelihood of Candidate A’s electoral victory is 0.5. I conclude by discussing the findings’ implications.

Group gender composition, gender stereotype and the contribution of ideas: an experiment

Presenter:

Jingnan Chen, University of Exeter

Co-authors:

Daniel Houser

Abstract:

Many economic decisions are made by groups rather than individuals. The quality of the group decision largely depends on the ideas/information contributed by the group members, especially those who are more informed. An interesting study by Coffman (2014) published in JPE investigates the relationship between willingness to contribute ideas and the gender stereotype of the decision con- text. One of the important findings is that the willingness to contribute ideas is greatly moderated by the perceived gender stereotype of the decision context (i.e., women are less likely to contribute their ideas in male-typed context, and vice versa). Additionally, an intervention with private feedback failed to im- prove the contribution probability, even for those who are more informed about the subjects. One limit of this study is that a group in this study only consists of two individuals. While a large literature suggests that group gender composition impacts behaviour (e.g., Gneezy, Niederle and Rustichini 2004, Niederle and Vesterlund 2007), it would be of great interest to investigate the interactive effect of gender composition and gender stereotype on peoples willingness to contribute ideas. One possible explanation for the unsuccessful intervention might be of its private nature, therefore it may be fruitful to pursue an alternative intervention with public feedback. This paper aims to fill those gaps.

Persistent bias in advice-giving

Presenter:

Zhuoqiong Chen, London School of Economics

Co-authors:

Tobias Gesche

Abstract:

We show that a one-off incentive to bias advice has a persistent effect on advisers' own actions and their future recommendations. In an experiment, advisers obtained information about a set of three differently risky investment options to advise less informed clients. The most risky option was designed such that it is only preferred by risk-seeking individuals. When advisers are offered a bonus for recommending this option, half of them recommend it. In contrast, in a control group without the bonus only four percent recommend it. After the bonus was removed, its effect remained: In a second recommendation for the same options but without a bonus, those advisers who had previously faced it are almost six times more likely to recommend the most risky option compared to the control group. A similar increase is found when advisers make the same choice for themselves. To explain our results we provide a theory based on advisers trying to uphold a positive self-image of being incorruptible which then forces them to be consistent in their biased advice.

Lying, spying, sabotaging - procedures and consequences

Presenter:

Nadine Chlass, University of Turku

Co-authors:

Gerhard Riener

Abstract:

Do individuals prefer to compete fairly, or unfairly with an opponent? We study individuals who can choose how to compete for one ex-post nonzero payoff. They can either nudge themselves into a fair set of rules where they have the same information and actions as their opponent, or into unfair rules where they either spy, sabotage or fabricate their opponent's action to secure all payoff. We observe significant altruism under rules which allow for fabrication and sabotage, but not under rules which allow for spying. This altruism emanates from an ethical concern purely over the distribution of decision rights. How individuals deal with this concern -- whether they nudge themselves into fabrication-free, spying-free, or sabotage-free rules, or whether they fabricate or sabotage to give all payoff to the opponent -- varies along with individuals' attitudes towards power.

It's all fun and games: using game design elements to generate effort

Presenter:

Katarina Dankova, University of East Anglia

Co-authors:

Sheheryar Banuri

Abstract:

Gamification is a relatively new phenomenon which refers to adding game-like elements to an existing activity with the aim of inducing desired motivational and possibly behavioural effects (Asquer, 2014). Private sector service providers use gaming elements (for example: badges for providing reviews) to engage users in significant amounts of effort at low costs. Apart from badges, points, leaderboards and context are used in games and in non-game contexts to affect user retention. We investigate the effectiveness of game design elements on generating effort in a laboratory experiment. Using a contemporary "real-effort" task common to the economics literature (decoding task), we introduce four classic game design elements (Hamari et al, 2014) and study their effects on effort. These elements vary in the type of feedback that is provided to players. In the baseline treatment, players are asked to undertake a real-effort task without any incentives. The game design elements treatments add points (numerical scores); badges (recognition of particular achievements); leaderboards (player rankings); and context (i.e. a storyline) to player actions in the effort task. Two additional treatments (i) combine all game design elements, and (ii) introduce a piece rate, in order to generate benchmarks. The effort task measures both the quantity and quality of effort generated under each treatment. In addition to this, we measure social and competitive preferences in order to study the mechanisms by which gaming incentives operate.

Oaths and property right enforcement in social dilemmas

Presenter:

Brent Davis, University of Innsbruck

Abstract:

I investigate whether oaths can be used to enforce property rights in a social dilemma. Using oaths as a commitment device has been shown to decrease hypothetical bias in elicitation mechanisms and increase coordination when cheap-talk communication is available. I examine both mandatory and voluntary oaths in a social dilemma where individuals can produce wealth, protect wealth, or steal wealth from others. Individuals are more cooperative and wealthier when oaths are mandatory compared to a no-oath environment. When oaths become voluntary individuals are no better off than the without an oath option.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Fairness preferences and limited information

Presenter:

Thomas de Haan, Norwegian School of Economics

Co-authors:

Caroline Bonn, Alexander Cappelen, Bertil Tungodden

Abstract:

In this research project we investigate the role of limited information on preferences for redistribution. We conducted a laboratory experiment for this project in April and May 2016 at the University of Bergen and the Norwegian School of Economics (NHH). What happens to people's willingness to redistribute a sum of revenue if there exists uncertainty about people's individual input in the collective production of this revenue? In most if not all instances of work performance, the actual effort exerted by people is largely unobservable and the extent to which an achievement is determined by merit or luck usually remains unknown. Recent studies about distributive choices of stakeholders involving complete information about the effort exerted have shown that choices can be traced back to a variety of fairness ideals (Cappelen et al., 2007) and that individuals take merit into account when taking distributive decisions and often correct for the influence of 'luck' (Konow, 2000; Cappelen et al., 2010). An important feature of these studies is that the substantial fraction of identified “meritocrats” were able to use very specific information provided about the importance of luck or real effort input in the production. Studying the effect of uncertainty on people's fairness preferences is therefore important for a broader understanding of distributive choice behavior. This project focuses on the situation in which 2 workers first work in a real effort task to produce a collective revenue. The revenue depends both on the input of the workers as well as a random 'luck' factor. Subsequently there is a distribution decision that will determine which worker is allocated what part of the revenue. In our study we focus both on distribution decisions by one of the workers, being a 'stakeholder', who has to distribute a certain amount between themselves and the other worker, as well as distribution decisions made by an monetarily unaffected 'spectator'. For both the setting with a stakeholder and a spectator redistribution decision, we have two treatments. One, a treatment where decisionmakers have full information regarding what influences (real effort) input and what influence 'random factor' luck had in determining the workers' contribution to the total income. Two, a treatment where decisionmakers have limited information regarding the worker input. Using the fairness preferences model from Cappelen et al. 2010 as a basis, we show theoretically that stakeholders who are ex ante pessimistic about the performance they expect from other participants should become less prone to redistribute in the face of limited information if they hold a meritocratic fairness ideal. In contrast meritocratic spectators are predicted to become more egalitarian in their redistribution choices when facing limited information regarding the role of merit and luck in the production. Our model thus predicts contrasting treatment effects across stakeholder and spectator settings and an interesting role of limited information in influencing the preferences for redistribution.

Big data in the lab - how do consumers fare when predictive algorithms work against them?

Presenter:

Sebastian Dengler, Tilburg University

Abstract:

This paper investigates how consumers fare when predictive algorithms are not (only) working for, but (also) against them: In a laboratory setting where a computer monopolist has the ability to price-discriminate perfectly, do subjects in a consumer role make use of a costly anonymization channel to escape price discrimination despite this not being a Nash equilibrium? If so, can their behavior be explained by a limited strategic sophistication model of level-k thinking? To understand which type of level-k modelling fits best, three different elicitation methods are used: a version of the “Beauty Contest”, a variation of Dufwenberg et al.’s “Game of 21” and a variation of Arad and Rubinstein’s “11-20 Money Request Game”.

A behavioral theory of the consumer under reference dependent preferences and certainty

Presenter:

Sanjit Dhami, University of Leicester

Co-authors:

Ali al-Nowaihi

Abstract:

We extend classical consumer theory to account for reference dependence and loss aversion under complete certainty. The classical results obtain as a special case. Several new results emerge- there is a kink in the demand curve at the reference point, consumers are subject to money illusion, and some kinds of inconsistencies of preferences can be accounted for. However, the reference dependent model does not predict the symmetry of the Hicksian cross partial derivatives, nor the downward slope of Hicksian curves (so the compensated law of demand does not survive), nor the concavity of the expenditure function. We show how several classical results can be modifed to take account of reference dependence; these include Shepherd's Lemma, Roy's identity, Slutsky equation, and welfare measures such as equivalent and compensating variation. Finally, the classical model underestimates the dead- weight loss from taxation; simulations show that this underestimation is by several orders of magnitude.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Why war? A field study on the interaction of natural enmity and heterogeneous returns from conflict

Presenter:

Gönül Doğan, University of Cologne

Co-authors:

Luke Glowacki, Hannes Rusch

Abstract:

In various small scale societies across the world, neighbouring groups have frequent conflicts with one another. Raids are common and lead to material gains or an advantage in the competition for scarce resources especially against the enemy groups. However, frequent war is not a universal finding of small scale societies; there also exist ethnic groups that are mostly peaceful towards others, and have been living without warring for much of the time. The question then arises: What makes some societies more peaceful? In this study, we focus on one factor that could affect contributions to conflict but has not gained much attention in the literature; sharing rule within the group. We propose that how the spoils of war is shared among the group members plays an important role in the amount of investment for conflict, and therefore, also in the propensity of conflict. As an example, some tribes are egalitarian with respect to how the gains from a raid are shared, whereas others have strict hierarchies. In the former, each member faces the same incentives for conflict, and therefore, their investment levels would be similar. In the latter, some group members have higher incentives to initiate the conflict, and some lower. Such an inequality could turn out to be a crucial element of establishing peace. This question is difficult to investigate empirically not only because of a multitude of factors that play a role in conflict but also because causality cannot be established with field data. We investigate the effect of the sharing rule in war contributions in a lab-in-the-field setup in Ethiopia. In the first part, subjects are in groups of three, and they are matched with either a natural enemy or a neutral opponent. All subjects are informed of their matched group's ethnicity. Our workhorse is a contest game with a binary choice of contributing zero or a fixed positive amount. If two people from one group contribute, the conflict starts. A real life equivalent to this condition would be that it takes at least two people to go on a raid. All investments to conflict are wasteful, i.e., lost. In a conflict, one group wins the war, and gets hold of the remaining resources of the other group that were not invested in conflict. Each member of the winning group keeps the money not invested in conflict. Therefore, there is an incentive to free-ride on others' conflict contributions. We vary the sharing rule: In one condition, the spoils of war are equally shared between the winning group members, and in the other there is a member who gets two-thirds of the spoils, and the other two members one-sixth each. The unique Nash equilibrium of both sharing rules is to invest nothing. We find that conflict contributions are highest against natural enemies and only if the sharing rule is egalitarian. If the sharing rule is unequal, enmity does not play a role. In the unequal shares conditions, the group member with high shares contributes significantly more than the group members with low shares, regardless of the opponent. We further find that contributions are triggered by an expectation of conflict rather than a desire for conflict, i.e., contributions are mostly for defence. In the second part of the experiment, we measure how much subjects care about their fellow group members, i.e., group identity. For this purpose we employ a one-shot multiple dictator game. In this game, there are three players one of whom designated as the

inactive player. All three players start with equal amounts of endowments. The two active players decide simultaneously whether to take half of the endowments of the inactive player. If both decide to take, the decision is implemented and the inactive player loses everything. Otherwise, everyone keeps their initial endowments. We match each subject with two others, and we vary whether the two are from an out-group or in-group. This gives us four conditions, and subjects make a decision for each of the four conditions. We find that almost all subjects take if the inactive member is out-group regardless of who the second decision-maker is. The take rate is smaller but still high -about 50 percent- if all are from the same group, and smallest when it requires collaborating with an out-group to take from an in-group. Notably, when all are from the same group, the inequality in the preceding contest game increases taking. This points to a mechanism in which peace would be maintained with unequal spoil sharing rules; such rules seem to weaken the group identity and increase ‘corrective’ acts. Notice also that, in the multiple dictator game, a decision to take is similar to the decision to join the contest in the contest game, but without the cost, and without the fear of escalating a war. The fact that everyone takes from an out-group shows that peace can only be maintained with groups of similar strength.

Communication versus (restricted) delegation: an experimental comparison

Presenter:

Silvia Dominguez-Martinez, Amsterdam School of Economics

Co-authors:

Randolph Sloof

Abstract:

This paper reports the results from a laboratory experiment investigating a manager’s decision whether or not to delegate authority to a better informed worker whose interests are often, but not always, congruent. Keeping authority implies a loss of information, as the worker communicates his information strategically. Delegating authority leads to a loss of control. A key aspect of our design is that the manager can restrict the agent’s choice set when delegating authority (restricted delegation). We find that workers send more informative messages under communication than predicted by the pure strategy equilibria. This finding neither appears to be driven by lying aversion of workers nor by credulity of managers. Qualitatively, our results are in line with a mixed strategy equilibrium under communication, which strictly outperforms optimal restricted delegation and is relatively close to the optimal stochastic mechanism in our setting.

Honesty and social preferences: an experimental approach

Presenter:

Astri Drange Hole, The Choice Lab, NHH

Abstract:

The project studies if there are any systematic differences in social preferences between managers and people in general. More specifically, the project examines if the sources of income and the cost of redistribution matter for people in the two groups when they make distribution decisions. Given this information, we can also study the prevalence of different fairness ideals in the two groups: if the two groups are motivated by different moral norms when they decide on important distributive issues. We then test for any differences between the two groups on these matters. The project also measures existence of dishonesty. We map any pattern of lying behaviour amongst managers and people in general, and test for any difference in this pattern between the two groups. The project also explores if a high degree of honesty in a group correlates with social preferences in that group. Furthermore, we examine if there is a relationship between distributive choices and attitudes towards materialistic values and willingness to compete, respectively. We also explore if there is a correlation on group level between existence of dishonesty and focus on materialistic values and willingness to compete, respectively. Finally, how can any difference between the two groups regarding these questions be explained? Do demographic and/or socio-economic variables make a difference? Are managers – for example – initially more concerned with economic incentives than others, and thus have selected a working carrier accordingly, or have exposure to economic incentives influenced their behaviour over time? The web experiments and the surveys are designed by the author. The designs are programmed and carried out by Norstat, one of Europe´s leading providers of data collection. The panel of participants recruited by Norstat are offered a choice between gift cards or donation to charities as show-up fees. The experiment is incentivised by points added to a panel account from which the participants can buy items online. The data analysis is ongoing. A pre-analysis plan including the data sources, the design of the experiments and the surveys, the empirical strategy and the experimetrics are registered at the AEA RCT Registry.

Prosociality spillovers of working in groups

Presenter:

Michalis Drouvelis, University of Birmingham

Co-authors:

Benjamin M. Marx

Abstract:

We study two types of interpersonal interaction common in working groups: group compensation and public announcement of performance. In our experiment we employ these treatments in relation to real-effort tasks but then follow completion and payment in each treatment arm with an unrelated opportunity to donate to a local charity. Group interdependence and public announcement of performance have little effect on work performance but striking spillover effects on subsequent donations. Public announcement of performance doubles the amount donated to charity, and group compensation significantly increases the share donating. The results suggest that interpersonal interactions in the workplace environment may have important spillover effects on pro-social behavior outside of work.

Health shocks and financial risk-taking: evidence from cancer diagnoses

Presenter:

Trond Døskeland, Norwegian School of Economics

Co-authors:

Jens Sørlie Kværner

Abstract:

Little is known about the underlying causes of the correlation between health and financial risk-taking. Drawing on a unique panel dataset, including individual cancer diagnoses, wealth, and demographic data for the full Norwegian population over the period 2003-2013, we identify the causal relationship between health shocks and portfolio choice. The random nature of cancer at the individual level ensures the causal interpretation of changing health conditions on portfolio choice. We find that a cancer diagnosis both increases the probability of a stock market exit for households in retirement and a stock market entrance for households at the beginning of the life-cycle. For stock market participants, we find that a cancer diagnosis causes households to substitute risky assets for low risk assets. Interestingly, our results show that the linkage between a health shock and portfolio choice can by fully accounted for by the impact a cancer diagnosis has on life expectancy, a direct evidence of a horizon effect in portfolio choice. Finally, we interpret our results through the lens of well-established portfolio choice models. Our results give some support to human capital as a determinant of portfolio composition. Consistent with Merton's myopic portfolio rule, life expectancy has no impact on the asset demand of retirees.

Fairness in a winner-takes-all economy

Presenter:

Mathias Ekström, Norwegian School of Economics

Co-authors:

Björn Bartling, Alexander W. Cappelen, Erik Ø. Sørensen, Bertil Tungodden

Abstract:

There has been a dramatic increase in recent decades in the share of income going to the top one percent of the population, which partly reflects a development towards more winner-takes-all situations in society. In this paper, we study the extent to which people find it fair that the winner takes it all, and which characteristics of winner-takes-all situations make people more likely to accept income inequality. We report the results from a lab experiment where workers were randomly allocated to four different winner-takes-all situations, where only the winner earned money. In all treatments, we paired workers after they had conducted a task. In the base treatment, the winner was randomly determined, while in the three merit treatments the winner was determined by who performed better on the task. We then asked a spectator to consider whether to redistribute between the winner and the loser. In the three merit treatments, we varied the information and the choices available to the workers. We find that people accept large income inequalities in merit-based winner-takes-all situations. In the merit-treatment where the workers were fully informed and had self-selected into the winner-takes-all situation, 58 percent of the spectators gave everything to the winner. In sharp contrast, only 12 percent of the spectators gave everything to the winners in the base treatment. We also show that both information and choice matter in explaining inequality acceptance in a winner-takes-all situation.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The choice of voting rules under a veil of ignorance - experimental evidence

Presenter:

Dirk Engelmann, Humboldt University Berlin

Co-authors:

Hans Peter Grüner, Timo Hoffmann, Alex Possajennikov

Abstract:

It is a key politico-economic insight that rules governing collective decision making should ideally be chosen before individual preferences about outcomes have realized. Whereas Rawls (1972) builds his theory of justice on the view that a fair system should maximize expected utility under a veil of ignorance, Brennan and Buchanan (1985) argue that the establishment of such a system is more likely, if the decision about the institution is taken before preferences have materialized. Obviously, this view relies on the assumption that individuals are capable to understand the complex way in which constitutional rules may affect future political outcomes. This paper experimentally studies the behavior of individuals when they choose institutions under the veil of ignorance. We want to find out what motivates individuals when they pick decision making rules and whether they choose total-payoff maximizing voting rules. Experimental participants decide in groups of five in a two-step procedure about a binary public good. In a first step, for 21 different distributions of possible valuations they suggest majority rules. In a second step, 3 of these distributions are randomly selected and individual valuations are drawn from these distributions. Then the voting rule suggested by one of the five subjects is randomly selected and the participants vote about the implementation of the public good according to this rule. We choose payoff distributions that vary in their skewness so that the total-payoff maximizing voting rule ranges across all possible thresholds from unanimity required for the public good to unanimity required against the public good. While on average subjects respond in their rule choice to the underlying distribution of valuations by picking more extreme voting rules for more skewed distributions, fewer than half of the rule choices are for the total-payoff maximizing rule. The suggested rule choices imply that on average more than one third of the total surplus would be lost if all subjects voted selfishly in the second stage, which they typically do. There is substantial heterogeneity across subjects. While most subjects show a positive correlation between the chosen and the payoff-maximizing rule, only one among 130 subjects chooses the total-payoff maximizing voting rule in more than two thirds of the periods (and indeed does always do so). Experimental participants do not exhibit a particular preference for majority voting (only 4% choose majority voting more than half of the time). They do, however, show a tendency towards moderate rules (73% of subjects never propose an extreme rule requiring unanimity for one of the outcomes, so that a single subject can determine the outcome), even though a unanimity rule is efficient in one third of the tasks. As a result, ex-ante rule choice is not generally sufficient to overcome the "tyranny of the majority". Experimental participants lose most surplus when unanimity rules would be total surplus maximizing, more than twice the loss in payoff when majority voting is optimal.

Do we consider it more acceptable when males fall behind than when females do?

Presenter:

Ranveig Falch, Norwegian School of Economics

Co-authors:

Alexander W. Cappelen, Bertil Tungodden

Abstract:

It is well established that there is a gender bias in top-level jobs where males dominate. However, there is also an increasing worry of a gender bias in the lower tale of education and labor market outcomes, often termed the 'boys crisis'. What can explain these patterns? In this project, we study experimentally whether people consider it more acceptable when males fall behind than when females do, using a novel design implemented on a representative sample of Americans. The participants make distributive choices involving males and females and we randomly manipulate the gender composition in the distributive situations. We show that people find it more acceptable when males fall behind than when females do when outcomes reflect merit. We provide evidence showing that this result is not driven by a general preference for females, but is specific to how people redistribute in merit environments where males perform worse than females. We argue that this finding may shed light on the gender discrimination against males in different parts of society, on the 'boys crisis' and why males increasingly lag behind females in merit settings such as in education and in the lower tale of the labor market.

Procedural vs. distributive inequality in rent-seeking contests

Presenter:

Francesco Fallucchi, University of East Anglia

Co-authors:

Abhijit Ramalingam

Abstract:

We experimentally investigate how individuals react to different types of inequality in conflicts. We employ a standard Tullock rent-seeking contest framework where 2 contestants compete to win a prize by expending resources to purchase lottery tickets. We classify inequality under two types: procedural (assigning subjects unequal ability to compete) and distributive (unequal wealth, or valuation of the prize). The former represents inequality of opportunity to affect outcomes, while the latter represent ex-ante and ex-post inequality in outcomes. We find that average overall rent-seeking is greater in the presence of procedural inequality than in the presence of distributive inequalities. This difference is driven by the more aggressive behavior of disadvantaged players under procedural inequality.

An experiment on the costly voting model in large elections

Presenter:

Marco Faravelli, University of Queensland

Co-authors:

Kenan Kalayci, Carlos Pimienta, Randall Walsh

Abstract:

We test the comparative static properties of the standard two-party costly voting model under majority rule through a large-scale internet based, real effort experiment. We do this by recruiting participants through Amazon Mechanical Turk (MTurk). The participants are divided into two groups. On election day, they can vote by completing a number of slider tasks lasting 20 minutes. At the end of the election the group that has received more votes, i.e. whose members have performed a higher number of tasks, is declared the winner and payoffs are determined. Our methodology has two advantages. First of all, using MTurk allows us to conduct a large-scale experiment in a cost effective way. Second, unlike laboratory experiments the cost of voting in our experiment is less artificial and more realistic as the real effort task closely resembles the act of going to the voting booth in an actual election. MTurk workers are particularly aware of the opportunity cost of their time as they are used to choosing tasks making cost versus reward trade-offs. Given these qualities the use of this methodology is an ideal test of the standard rational choice model in a large society. We use a 3x2 between-subjects design, where the two treatment dimensions are the population size and the relative group size. We run small elections (N = 10), medium elections (N = 100) and large elections (N = 300). For each of these we run a close and a biased election. We test three hypotheses. 1) Size effect: keeping the same group size, group turnout rate as well as total turnout rate decrease in the population size. 2) Underdog effect: Keeping the same population size, the minority group votes with a higher turnout rate than the majority group. 3) Competition effect: Keeping the same population size, group turnout rate as well as total turnout rate are higher in close elections than in biased elections.

Renegotiating cooperation: communication in noisy, Indefinitely repeated interactions

Presenter:

Sebastian Fehrler, University of Konstanz

Co-authors:

Fabian Dvorak

Abstract:

We study communication in the indefinitely repeated prisoner's dilemma in an experimental 3x3-design. Subjects are either allowed to communicate (chat) before a supergame starts, repeatedly before every round of it, or not at all. They play under different monitoring structures: perfect, imperfect public or imperfect private monitoring. Under all three structures, communication boosts efficiency. However, under imperfect (noisy) monitoring, cooperation is only stable with repeated communication. Subjects fail to coordinate on complete contingent plans beforehand and thus need to renegotiate when bad signals occur. Beyond improving coordination, communication increases efficiency by making subjects' play more lenient and forgiving.

Investigation of Lobbying Strategies in Laboratory

Presenter:

Milos Fisar, Masaryk University

Co-authors:

Spalek Jiri, Urbanova Daniela

Abstract:

Lobbying is a part of almost any decision making process in public sector, especially when new policies are implemented. Interest groups lobby politicians or public servants to shape new public policy to their preferred way. To achieve their interest, the groups use methods which are by theory classified as lobbying strategies. We have conducted a replication of an economic laboratory experiment to measure the usage and efficiency of selected lobbying strategies - coalition expansion theory, Counteractive lobbying theory and theory of interested groups cooperation. In the experiment two interest groups lobby imaginary public official by bidding on supporters and compete to gain the dominancy. Those who gain the dominancy are rewarded by increased payoff. Combination of strategies was used as a treatment variable. The theories of lobbying strategies predict the behavior of interest groups in bidding process, however we found that no matter what strategy was used the participants tend to focus on ex ante supporters and overbid which is in contrast with theory predictions.

Incentives to lose revisited: the NHL and its tournament incentives

Presenter:

Helena Fornwagner, University of Innsbruck

Co-authors:

Florian Lindner

Abstract:

This paper deals with the problem of dual incentives, meaning that in certain tournaments higher as well as lower effort levels are rewarded. We provide evidence on behavior in such settings using data from a sports tournament, namely from the U.S. National Hockey League and its entry draft system. This tournament can provide incentives for some teams to lose their games once they have been eliminated from playoff qualifications, in order to maximize the probability of acquiring higher talent through the entry draft in the following season. Our data reveal that this is indeed the case. Interestingly, we find that the responses of teams to changes in the details of the incentive system (the entry draft rules) are very systematic, and that the propensity of certain teams to lose increases with the strength of the losing incentives. Moreover, we attempt to answer the very important question of how teams change their strategy in order to decrease their chances of winning their games.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Cooperation, frames and political attitudes

Presenter:

Toke Fosgaard, University of Copenhagen

Co-authors:

Lars G. Hansen, Erik Wengstrøm

Abstract:

This paper shows that political attitudes are linked to cooperative behavior in an incentivized experiment conducted with a large sample randomly of drawn from the Danish population. But the relationship between cooperation and political attitudes depends on the way the experiment is framed. In the standard public good game in which subjects give to a public good there is no significant relation between contributions and political attitudes. In an economically equivalent version, in which subjects take from a public good, subjects with left-wing preferences cooperate significantly more than subjects in the middle or to the right of the political spectrum. The framing of the game only has no effect on average contributions for right-wing and centrist subjects, whereas the left-wing subjects contribute significantly more in take frame.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The legitimacy of democratic and market-based mechanisms

Presenter:

Jana Freundt, University of Hamburg

Co-authors:

Arno Apffelstaedt

Abstract:

We experimentally investigate how the legitimacy of a norm-setting authority effects people's behavior under that norm. Specifically, the experiment explores to what extend people comply to rules that have been implemented by competitive market mechanisms as opposed to democratically elected ones. Previous work in (experimental) economics has established a so-called "democracy effect" as a difference in cooperation rates observed under a rule that has been implemented democratically, i.e. by majority vote, compared to an exogenously imposed rule. Democratic mechanisms are not feasible in many areas of public life and especially not in the economic sphere, where decision-making processes often involve authorities or market institutions. Therefore, we consider it important to know if the democracy effect found in previous experiments is a special case or if one finds a similar effect with different mechanisms to endogenously implement rules for behavior. In the experiment, we vary the number of people whose vote counts from exogenous implementation over dictatorial decisions to majority rule. Second, we systematically oppose a democratic aggregation of preferences, i.e. each person has an equal weight, and a market-based one, where a person's preference intensity, measured by her willingness to pay, determines her decision-making power. The legitimacy of the implementation procedure is measured behaviorally by comparing a series of individual choices under each institution, designed to show the degree of individual compliance to a norm. Furthermore, our design allows us to isolate procedural from outcome–based preferences and to identify the behavior of different types of players.

Our study contributes to the understanding of procedural preferences and at the same time informs policy-makers. The behavioral consequences of people's acceptance of an institution can have significant new implications for the welfare evaluation of mechanisms and policy instruments.

An experimental analysis of regulatory interventions for complex pricing

Presenter:

Lana Friesen, University of Queensland

Co-authors:

Peter E. Earl

Abstract:

Considerable evidence demonstrates that consumers make poor choices in complex decision environments. One such environment is the choice of a mobile (cell) phone plan, where consumers frequently encounter complicated nonlinear tariffs. We study the efficacy of five policy interventions to improve consumer decision making in an experimental context where subjects choose among a set of predefined phone plans involving nonlinear tariffs. The policies involve training subjects to compute call costs or the cost of a plan, two additional information treatments, and extra feedback. We find that both training about plan costs and providing information about plan value significantly improve decision making. However, these benefits attenuate as subjects gain greater experience. Implications for policy are discussed, mindful of the infrequency with which consumers are actually 'in the market' for a better phone service plan.

Saving behaviour and the role of sharing norms

Presenter:

Hanna Fromell, University of Nottingham

Co-authors:

Daniele Nosenzo, Trudy Owens, Fabio Tufano

Abstract:

We show the existence of a social norm of sharing in rural Kenya and study how the norm depends on contextual variation. We run a field experiment that investigates a situation where a person is faced with the choice between saving their income and giving it to a friend. Using the Krupka-Weber (2013) norm-elicitation method, we elicit the social norm under two different conditions: one where the person's income and the choice of how much to give to the friend are private information and one where they are known by everyone in their village. We find that the social norm prescribes the person to share all of their extra income, resulting in no savings for themselves in both treatments. However, the norm is significantly weaker in the condition in which information is private. Our results suggest that social norms of sharing can be a substantial impediment to wealth accumulation among the poor in Kenya, and that private information can alleviate this inefficiency.

Human cooperativeness: the causal role of physical distance

Presenter:

Leonie Fuetterer, Karlsruhe Institute of Technology

Co-authors:

Nora Szech

Abstract:

Cooperativeness among genetically unrelated humans remains a major puzzle in the natural as well as in the social sciences. Physical distance has been discussed as one if not the most important factor in reducing feelings of responsibility and prosocial acts. Yet so far, controlled evidence focusing on behavior with real consequences does not exist. This paper uncovers causal effects of physical distance on real, cooperative behavior towards non-kins. Participants decide whether they want to share their money with refugees in an anonymous interaction. We vary how physically close respective refugees are located, and whether participants are directly exposed to them or not. Our data demonstrate that reducing physical distance increases cooperativeness measured as willingness to share. Yet direct exposure may counteract pure effects of physical proximity, specifically in males.

Sweet cues - sugar and economic decision making

Presenter:

Nadja Furtner, University of Munich

Abstract:

An increasing amount of studies has so far linked the activation of certain brain areas to economic decision making. There is, however, very little research on what happens if those brain areas are exogenously activated or downregulated, e.g. by certain substances. In this work, I study the effect of two theoretically very similar substances, namely glucose and fructose, on economic decision making. While both substances are carbohydrates and yield the same amount of energy to the body, they are metabolized in markedly different ways and lead to distinct activation patterns of the endocrine system and of several brain areas that have been shown to influence social and economic decision making. I find that acute ingestion of glucose compared to fructose significantly increases risk seeking in males, but not females. I moreover find that that glucose ingestion leads to higher unconditional and average conditional contributions to a public good in males and higher levels of internal conflict for equal levels of contributions in females, while beliefs remain unchanged. Finally, in both males and females, acute ingestion of glucose compared to fructose leads to a change in sending patterns in the trust game. More specifically, subjects choose significantly more often to send their whole endowment instead of only half or three-quarters of it. In non-free riding men glucose also significantly increases trustworthiness. These results are very well in line with previous research on the neurobiological foundations of economic decision making and provide further insights into the role of environmental factors in shaping behavior.

Does reciprocity persist over time?

Presenter:

Nickolas Gagnon, Maastricht University

Co-authors:

Charles Noussair

Abstract:

We conduct three separate experiments, in the Netherlands and in the United States, which extend the Gift-Exchange paradigm for the study of worker-employer relationships. We focus on the effect of long time delays on the relationship between wage and effort. In our experiments, subjects are divided into groups of three, one employer and two workers. The employer chooses one wage level that applies to both workers. The first worker then chooses an effort after leaving the laboratory, but at most three hours afterward. The second worker submits the effort decision four weeks after the experimental session. Our results show that, for the three experiments, average effort is not different between those choosing within three hours after learning their wage and those who choose four weeks afterward. While a positive and significant relationship between wage and effort appears in the short-term for each experiment, in the long term, the relationship is weaker and less consistent. We also find that only workers who receive a wage equal to or below their self-reported fair wage exhibit significant reciprocal behavior, both in the short and the long term. Using a new technology tracking facial expressions called the Noldus FaceReader, we find that the emotion anger is associated with reciprocal responses in our Gift Exchange Game in the short-term, but is absent in the long-term.

Experiments on conditional generosity

Presenter:

Arianna Galliera, LUISS Guido Carli

Co-authors:

Daniela Di Cagno, Werner Güth, Luca Panaccione

Abstract:

Experimentally conditional generosity is explored by confronting two participants with the same allocation task via allowing only one of them to adjust the own generosity level when learning that the other intended to be more, respectively less generous. Each interacting group comprises three participants: two allocator candidates, of whom only one can actually give and condition on the other's intended generosity, and one responder whose choice determines who will collect the respective monetary assignments determined by the actual allocation choice. Like Fischbacher and Gächter (2010), we employ the strategy vector method, however, by restricting conditioning to qualitative information only (Di Cagno et al. 2015). Responder's veto power is varied within subjects via three successive rounds in the order of ultimatum, yes-no and impunity game or (between subjects) in the reversed order. More generally, our topic is to show how reciprocity inclinations which are largely responsible for conditional cooperation also shape conditional generosity as observed in experimental sharing tasks as well as, in the field, in charitable donations.

The importance of peers for compliance with norms of fair sharing

Presenter:

Leonie Gerhards, University of Hamburg

Co-authors:

Simon Gächter, Daniele Nosenzo

Abstract:

A burgeoning literature in economics has started examining the role of social norms in explaining economic behavior. Surprisingly, the vast majority of this literature has studied social norms in asocial decision settings, where individuals are observed to act in isolation from each other. In this paper we use a large-scale dictator game experiment (N = 850) to show that "peers" can have a profound influence on individuals' perceptions of norms of fair sharing, which we elicit in an incentive compatible way. However, in contrast to these strong peer effects in social norms of fair sharing, we find limited evidence of the influence of norms and peers on actual sharing behavior. Overall, our results cast doubts on a norm-compliance explanation for fair sharing.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Voting for a cartel as a sign of cooperativeness

Presenter:

Joris Gillet, Middlesex University

Abstract:

This paper tests the hypothesis that the reason that cartels – costly non-binding price agreements – lead to higher prices in Bertrand Pricing Game-experiments could be (partially) explained by the fact that participants who form these kind of agreements are more cooperative and pick higher numbers generally. To test this hypothesis we run an experiment where participants play two Bertrand oligopoly games in a row. First a standard version without the opportunity to make price agreements. This is followed by a version where participants can vote, by majority, on whether to have a (costly) non-binding agreement to pick the highest number. We find no evidence that participants who vote for an agreement in the second game picked higher prices in the first game. We do find that having a price agreement leads to higher prices and also that participants who voted for or against the price-agreement behave differently in response to the existence of the price agreement. In particular, participants who voted for a price agreement react more positively to the existence of the price agreement. The difference in prices picked in the second game between situations with and without a price agreement is larger for participants who voted in favour of the agreement. Voting for a price agreement does seem to be a signal of cooperativeness but only for situations with a price agreement.

Overcoming salience bias: how real-time feedback fosters resource conservation

Presenter:

Lorenz Goette, University of Bonn

Co-authors:

Verena Tiefenbeck, Kathrin Degen, Vojkan Tasic, Elgar Fleisch, Rafael Lalive, Thorsten Staake

Abstract:

Inattention and imperfect information bias behavior toward the salient and immediately visible. This distortion causes costs to individuals, the organizations they work in, and society at large. We show that an effective way to overcome this bias is making the implications of one's behavior salient in real time, while individuals can directly adapt. In a large- scale field experiment, we give participants real-time feedback on the resource consumption of a daily, energy-intensive behavior (showering). We find that real-time feedback reduces resource consumption for the target behavior by 22%. At the household level, this leads to much larger conservation gains in absolute terms than conventional policy interventions that provide aggregate feedback on resource use. High-baseline users display a larger conservation effect, in line with the notion that real-time feedback helps eliminate ”slack” in resource use. The approach is cost-effective and generates savings equivalent to a household's energy use for lighting. The intervention also shows how digitalization in our every- day lives makes information available that can help individuals overcome salience bias and act more in line with their preferences.

Testing the role of experience for expectations-based reference points

Presenter:

Thomas Graeber, University of Bonn

Co-authors:

Lorenz Goette, Charles Sprenger

Abstract:

Reference-dependent preferences rationalize a variety of observed economic behaviors, but the location of the reference point remains a critical degree of freedom. Models of expectations-based reference points, in particular Koszegi and Rabin's (2006) approach positing rational expectations, have enjoyed popularity in recent years due to their ability to generate sharp, empirically testable behavioral predictions. Any forward-looking formulation of the reference point, however, is naturally challenged by evidence on the importance of experience for reference-dependent behavior. Market experience is consistently found to be a particularly powerful factor alleviating exchange asymmetries, a market anomaly representing one of the most well-documented applications of reference-dependent preferences (Engelmann and Hollard, 2010; List, 2003, 2004). We show how experience effects are accommodated by the model of Koszegi and Rabin (2006) if individuals are unfamiliar with the trading mechanism or display limitations in anticipating sensations of gains and losses. We develop a tightly controlled experimental design that provides causal evidence on the role of experience in exchange markets and explicitly deals with previous methodological concerns raised in the literature. Our experimental design tests whether experience effects remedy recent evidence that is incompatible with the Koszegi-Rabin predictions (Goette et al., 2016). We find no evidence that pertinent exchange experience restores behavior in line with the equilibrium concepts of Koszegi and Rabin (2006). Our results uniformly reject the hypothesis that a forced trading experience on average reduces exchange asymmetries, which persist in all experimental conditions. We provide a clear rationale for counterfactual results obtained by Engelmann and Hollard (2010). Finally, we use exogenous variation in the heterogeneity observed in subjectively perceived exchange experiences to support our claim that experience effects observed in the field likely operate through the valence of an experience rather than the event of trading per se. In our data, exchange asymmetries disappear for those with the most positively self-assessed exchange experience.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The effects of polling systems on electoral competition

Presenter:

Georg Granić, Erasmus University Rotterdam

Co-authors:

Carlos Alós-Ferrer

Abstract:

This paper investigates experimentally the effects of different polling systems on the structure of electoral competition. We study a divided majority problem with a unique Condorcet loser and a unique Condorcet winner. The electoral process is modeled through a repeated game with a plurality voting election as the stage game. Voters have no information about other voters' preferences but can observe past election outcomes. We show that the polling system employed to conduct pre-election polls can impact the electoral competition. An approval voting poll preceding plurality voting elections increases the viability of the Condorcet winner in comparison to a plurality voting poll or having no-polls preceding elections. The approval voting poll increases the vote share of the Condorcet winner in the elections and increases the number of election the Condorcet winner wins. Voting groups also reach higher welfare levels.

Self-confidence and motivation

Presenter:

Christina Gravert, University of Gothenburg

Co-authors:

Kai Barron

Abstract:

Overconfidence, the belief that one is of higher ability than one is, is often (correctly) blamed for automobile accidents, stock market crashes, unsuccessful entries in industry and bad career choices, just to name a few examples (Sevnson, 1981; Barber and Odean 2001, Moore and Healy 2008). In a recent interview, Nobel Prize Laureate Daniel Kahneman said that if he had a magic wand, the bias that he would most like to eliminate would be overconfidence, as it is the most damaging. A “healthy” self-confidence, the moderately upward biased belief in one’s own abilities, is however claimed to be one of the major determinants of success in life (see for example OECD 2015 for recent statistics and Baumeister et al. 2003 for an overview). As Thomas Jefferson noted: "Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude". Self-confident individuals are happier and more satisfied with their life and better able to convince other people of the positive traits they possess (Kahneman and Lovallo 1993). They engage in more ambitious and challenging tasks (Benabou and Tirole 2002, Köszegi 2006), and work hard to meet their own high expectations (Bandura 1982). Therefore, in general, the evidence pertaining to an upward bias in confidence suggests a complex story. Sometimes biased beliefs can be beneficial, other times they are harmful. One particular channel through which overconfidence may influence behavior and thereby affect an individual’s outcomes is through its effect on motivation to exert effort and strive to complete tasks. All the studies cited above (and many more) that examine this particular channel share the common hypothesis of a positive relationship between over- /self-confidence and motivation. Yet, despite this substantial interest in the motivating effect of self-confidence, we are not aware of any existing study which provides evidence that self-confidence causally affects motivation. Understanding how beliefs affect motivation is a vital piece of the puzzle in understanding the difference between biased beliefs that lead to dangerous or reckless behavior and biased beliefs that help individuals overcome another harmful bias (for example risk-aversion and self-control problems). We conduct a novel experimental study in which we exogenously vary subjects’ confidence in their abilities in order to measure the effect of confidence on motivation in a real effort task. To our knowledge, this will provide the first clean causal evidence of the effect of beliefs about ability on motivation. Furthermore, we aim to disentangle the different channels through which a shift in beliefs may affect motivation. First, in a task where ability and effort are complements, a more positive belief in one’s own ability might positively affect an individual’s beliefs about the expected payoff of effort, thereby resulting in higher effort levels. Second, effort provision could be influenced through the positive emotion of having a more positive self-image, which could reduce her costs of effort. In the experiment we assess whether an agent’s confidence (belief about her ability in a task) affects her effort provision. In order to make sure that an increase in perceived ability leads to an increase in the expected payoff of effort, we present the subjects with a production function in which these two inputs are complements. Splitting the task into its two components - ability and effort -

allows us to investigate the effect of the agent's belief in her ability on her effort. Performance and payoff in the experiment depends on: 1. An "Ability Task", which depends primarily on the agent's ability. 2. An "Effort Task", which depends primarily on the effort exerted by the agent. The agent's returns to effort in the second task depend on her ability in the first task. This allows us to separate the formation of beliefs about one's ability which is done using the "Ability Task", from the effort exertion choices that one makes on the basis of these beliefs in the "Effort task". Individuals with higher beliefs about their ability should exert higher effort in the second task. While there have been some attempts at separating ability and effort (see for example Pikulina 2014), there is no evidence of a causal effect of beliefs about ability on motivation and consequent real effort exertion. In order to establish a causal effect of the belief about the agent's ability on effort we introduce an exogenous variation targeted at shifting beliefs. By exposing agents to different levels of difficulty of the ability task we exogenously affect their belief about their ability ranking in the group. This approach draws on the finding in the psychology literature that suggests that when individuals face a hard task, this shifts them towards underconfidence in terms of their beliefs regarding their relative position in the ability distribution; while, when individuals face an easy task, this shifts them towards being overconfident regarding their position in the distribution (Bordley et al. 2014, Benoit et al 2015). The ability task are 12 Raven's Standard Progressive Matrices that need to be solved in 4 minutes. Two thirds (eight) of the matrices are the same in both tasks and the other one third (four) are easier or harder to create a variation in the level of difficulty while keeping the task as comparable as possible. Since the time to work on the matrices is quite short, the results depend on initial ability and cannot be improved by a large amount of effort. Our effort task requires very little ability. We chose the slider task. The slider task has been shown to be very responsive to incentives and feedback (Gill and Prowse 2015). The experiment has 4 parts: In the beginning, we measure the baseline of all participants in the slider task with a low piece rate. Then we let them work on the matrices (randomized by session into hard or easy). Next we elicit their beliefs in an incentivized way. We ask them: What is the probability that you scored in the top half of the distribution? Then they are made aware of the new monetary incentives for the slider task. Those who are truly in the top half of the group earn a high wage per set of sliders completed. Those who are in the bottom half earn zero. They are only told in which half they are after the experiment is over. Then subjects have time to work on the slider task or are allowed to read provided magazines or use their phone on silent. In the end we have a short questionnaire. We conducted the first 10 sessions of our experiment in May 2016 at the University of Gothenburg. 100 subjects participated in the experiment - 50 in the hard ability task treatment and 50 in the easy ability task treatment. As expected we find that the hard and easy ability task leads to a significant shift in the belief distribution. Those who are confronted with the easy task state higher beliefs about being in the top half than those who are confronted with the hard ability task. In both conditions most subjects believe they are in the top half of the group, but while the average belief about the probability of being in the top half is around 60 in the hard ability task, it is closer to 80 in the easy ability task. Although we find a significant difference in beliefs which should translate into a lower effort in the second part, giving the lower expected earnings, we do not find a significant difference in effort between the two groups. We have identified three mechanisms that could explain the lack of variation in effort: 1. The outside option of using their cell phone or reading a magazine is not attractive enough compared to the real effort task. 2. Subjects suffer from regret aversion and therefore work hard even with low beliefs in order to avoid regret later. 3. Subjects are wishful thinkers and do not shift their effort in accordance with their stated beliefs. We are currently conducting further treatments to disentangle these potential explanations for our results.

Does information change attitudes towards immigrants? Evidence from randomised survey experiments

Presenter:

Alexis Grigorieff, University of Oxford

Co-authors:

Christopher Roth, Diego Ubfal

Abstract:

This paper examines whether correcting people's misconceptions about immigration affects their attitude towards immigrants. First, we use a large representative cross-country survey experiment with more than 19,000 participants to show that people who learn the actual share of immigrants in their country are less likely to state that there are too many immigrants in their country. Second, we conducted an online experiment in the U.S., where we provide facts and statistics about immigration to half of the participants, before measuring their attitude towards immigrants with some behavioural measures and some general questions about immigration. We find that participants in the treatment group update their beliefs about immigrants, and they donate more money to a pro-immigrant charity. However, they do not become more supportive of immigration reform. Indeed, they do not become more willing to sign a petition in favour of immigration reform, and their self-reported policy preferences remain broadly unchanged. Finally, we show that all of the treatment effects persist in the four-week follow-up.

Preferences for redistribution in the US, Italy, Germany, and Norway: an experimental study

Presenter:

Gianluca Grimalda, Jaume I University

Co-authors:

Francesco Farina, Ulrich Schmidt

Abstract:

Developed countries vastly differ in terms of the amount of taxation, social spending, and redistribution operated by their governments. The literature originated by Esping-Andersen's (1990) "three worlds of the welfare state" claims that different "ideologies" underpinning states' redistributive models have a formative effect onto individuals' preferences. However, survey-based empirical research struggles to find clear-cut effects (Dallinger, 2010). Economists, on the other hand, emphasize dissimilar beliefs over opportunities for socio-economic mobility as major drivers of preferences for redistribution. According to the equity principle (Konow, 2003), individuals are more inclined to redistribute towards the poor if the poor are seen as "deserving". However, deservingness is correlated with beliefs over opportunity for socio-economic mobility. In societies where citizens believe that opportunities are plentiful (scarce) for individual advancement, those who stay at the bottom of the income scale will be deemed as undeserving (deserving) of net income transfers through redistributive schemes. In fact, US citizens believe with considerably higher frequency than Europeans that their societies permit fair chances for economic mobility (Fong, 2001; Alesina and La Ferrara, 2005), although the direction of causation may be doubtful (Fong et al., 2005). Consequently, US citizens tend to see the poor as less deserving of redistribution than Europeans. Experimental evidence reproduces the existence of strong differences between belief systems in Europe and the US, but fails to find a direct link between beliefs and redistributive choices (Rey-Biel et al., 2011). More generally, other differences in preferences or personality traits among citizens of different countries might explain differences in preferences for redistribution. People in some countries might, for cultural or ideological reasons, have an intrinsic greater distaste for inequality (Thurow, 1971), or have different degrees of risk tolerance, perhaps because welfare states act differently in different countries in creating safety nets against risk (Sinn, 1995). The attitudes towards future upward mobility (POUM) (Benabou and Ok, 2001) may differ across countries as a result of differences in personality traits such as optimism or self-confidence. Some cultures may be intrinsically more "meritocratic" and assign larger rewards to individual merit, in comparison with luck (Lipset, 1997). The relevance of social background might be judged differently in different countries. This study aims at examining experimentally such possible mechanisms in the account of differences in preferences for redistribution. The study has been replicated at seven different Universities (Washington State and Mississippi in the US, Milan and Salerno in Italy, Bremen and Munich University in Germany, and Oslo in Norway) to gauge between-country differences as well as within-country differences (in the three largest countries). Participants in our experiments were summoned in groups of 21 and were awarded initial earnings on the bases of four different criteria in four different between-subject treatments. Two were based on luck – namely, a purely random procedure, or a biased random procedure where participants coming from more affluent areas were advantaged with respect to others. Two were

based on individual merit – namely, an effort-based task or an abstract reasoning ability test. The distribution of such earnings was uniform (and therefore symmetric around the mean) in discrete units between the bottom and the top earnings. Participants had to make different decisions over how much earning redistribution they wanted to implement within their group. Their choice could vary from a 0% tax rate, in which case post-tax earnings inequality would be maximal, to a 100% tax rate, in which case everyone would earn the same. One of their decisions was randomly selected and applied to the whole group. The first decision was designed to measure preferences for inequality under a condition of impartiality, in that the "decisive individual" – i.e. the person whose tax rate was randomly selected –was allocated the median position of the earnings scale. This decision elicited preferences for redistribution independent from one's self interest. The second and third decisions were decisions behind a veil of ignorance, as subjects did not know which position they would occupy in the earnings scale when indicating their tax rate. In this way self-interest and risk aversion were possibly relevant motivations. In the third decision subjects received information over their initial earnings in the previous decisions, which could have been used as a signal of their relative ability in the merit treatments. The fourth decision took place "beyond the veil of ignorance", as subjects knew their own position in the earnings scale. Ambiguity and risk aversions were measured in independent sets of decisions. A questionnaire collected information on the subject's attitudes towards society and demographic information. The main findings are: A) No sizable within-country difference emerged in Italy and Germany, while some difference emerged across the US locations. B) We find a clear divide between the US and Italy on the one hand, and Norway and German on the other, especially in the first decision (impartial spectator) and the fourth decision (decision beyond the veil of ignorance). Norwegian and German subjects demand significantly more redistribution than US and Italians subjects. No difference can be detected between German and Norwegian subjects across decisions, and only limited differences can be detected between Italians and US subjects. This suggests that differences in basic "distaste" towards inequality (Thurow, 1971) across countries do seem to exist. C) Consistently with the theory, risk aversion is associated with higher demand for redistribution at the individual level. However, at the aggregate level, subjects coming from countries that are in reality more redistributive are on average less risk averse than others. A tentative explanation is that the safety net provided by stronger welfare state may spur individuals to get used to taking more risks (Sinn, 1995). D) "Rich" subjects, i.e. those being informed that they have above-average initial earnings in the fourth decision, act in the same way across countries and locations. E) The behaviour of "poor" subjects, i.e. those having below-the-median initial earnings in the fourth decision, vary significantly. Both Norwegian and German "poor" demand higher levels of redistribution than US and Italian "poor", the median demand being 100% redistribution in the former set of countries. Interestingly enough, Italian subjects are the only sample who respond significantly to the merit manipulation. Italian poor involved in the merit treatments demand significantly less than Italian poor involved in the luck treatment. No difference emerges in the US. US poor demand less redistribution even when this is determined by luck. They thus seem to consider luck as legitimising the rich's entitlement to higher earnings, which can be construed in terms of libertarianism (Cappelen et al., 2007). F) Beliefs over the fairness of the redistributive system in real life exert a differential effect in the two sets of countries. German and Norwegians are significantly more sensitive to their beliefs than Italian and US subjects. Overall, this research shows the simultaneous existence of both differences and similarities across countries in preferences towards redistribution. Two "blocks" seem to emerge, with egalitarianism being largely dominant in Germany and Norway, while libertarianism prevails in the US and Italy. However, differences emerge within the libertarian blocks, specifically in the reward of individual merit. Although specific ideological and cultural differences can be perceived as being behind some of the observed behavioural variations, this research points both to a variety of causes being at work in moulding cross-country differences, and to the co-existence of explanatory factors acting separately at the aggregate level and at the individual level. References Alesina, A. and La Ferrara, E. (2005). "Preferences for redistribution in the land of opportunities," Journal of Public Economics, 89, 897-931. Benabou, R. and Ok, A. (2001). Social Mobility and the Demand for Redistribution: the POUM Hypothesis. Quarterly Journal of Economics, 116 (2), 447-487. Dallinger, U. (2010). Public support for redistribution: what explains cross-national differences?. Journal of European Social Policy, 20(4), 333-349. Esping-Andersen, Gøsta (1990). The Three Worlds of Welfare Capitalism. Polity Press. Princeton University Press. Fong, Christina (2001). 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Incentives and creativity in teams - evidence from a natural field experiment

Presenter:

Stefan Grimm, University of Munich

Co-authors:

Florian Englmaier, David Schindler, Simeon Schudy

Abstract:

In modern economies many jobs require workers to work in teams, to deal with problems they have never encountered before and to generate creative solutions. It is thus crucial to understand how incentives affect such creative team performance. However, evidence on incentive effects for creative team work is scarce. In a natural field experiment, we investigate how financial incentives in form of bonuses for particularly good performance, framed as either gains or losses, affect creative team performance. Bonuses significantly increase creative team performance while the framing of bonuses does not impact performance.

Payoff inequity reduces the effectiveness of correlated-equilibrium recommendations

Presenter:

Mehmet Yigit Gurdal, Bogazici University

Co-authors:

Nejat Anbarci, Nick Feltovich

Abstract:

We examine how individuals' willingness to follow third-party recommendations in 2x2 games is affected by payoff asymmetry. We consider three versions of Battle-of-the-Sexes. Recommendations are determined by a coin flip between the two pure-strategy Nash equilibria, thus inducing a correlated equilibrium under standard (self-regarding) preferences, so that following recommendations constitutes a Nash equilibrium. However, while the payoffs implied by recommendations are equal ex ante, they are unequal ex post. So, sufficiently inequity-averse players can rationally disobey a recommendation that would lead to a very unfavourable payoff distribution. We derive comparative-static predictions across games based on a model combining level-k reasoning with inequity aversion, and we test these with a laboratory experiment. Our main result is qualitatively consistent with the theoretical model: as payoff asymmetry increases, subjects are more likely to disobey recommendations, resulting in lower levels of coordination and payoff efficiency.

Climate agreements and the role of investments: an experimental approach

Presenter:

Christine Gutekunst, Maastricht University

Co-authors:

Fortuna Casoria, Alice Ciccone

Abstract:

International climate negotiators are faced with a social dilemma situation. A full cooperative solution where greenhouse gas emissions are reduced by all countries increases global welfare, but the incentives for an individual country to abate such emissions are weak. As a consequence, the failure of many international environmental agreements (IEAs), such as the Kyoto Protocol, can be associated to the lack of an enforcement mechanism capable of solving the tension between opportunistic behavior and cooperation. In this paper, we investigate the role of investments in green technologies in fostering cooperation in a simple laboratory experiment. Our setting is inspired by Harstad et al. (2015), who show that investments in technologies, whether they are a strategic complement or substitute to emissions, can facilitate cooperation in a repeated prisoner's dilemma, despite the presence of impatient players. Hence, in line with the model proposed there, we extend the standard infinitely repeated prisoner's dilemma game by allowing agents to take investment decisions. The experiment is structured as a two by two design and consists of four treatments. The two treatment dimensions are investment opportunity (investment-no investment) and probability of continuation (low-high). We compare treatments with no investment opportunities, where subjects only play a random sequence of indefinitely repeated prisoner's dilemma games, with treatments where subjects first decide how much to invest, and then choose between cooperation and defection. While not investing produces a direct private benefit, investments contribute to the payoff from (individual) cooperation in the subsequent prisoner's dilemma. When the exogenously imposed probability of continuation is low (0.35), cooperation can never be supported as equilibrium in the no-investment treatment, while in the investment treatment it can be part of a subgame perfect equilibrium (SPE) for relatively high investment levels. As everything is kept constant across these two treatments, besides the possibility to invest, any differences in cooperation rates can be attributed to the presence of investment opportunities. This allows us to investigate whether the opportunity to invest has an impact on cooperation efforts. We find that cooperation rarely emerges in the treatment without investments, where it is not sustainable in equilibrium. Introducing investment opportunities boosts cooperation, even when investments are too low for cooperation to be sustainable in a SPE; when investment levels are high enough, subgame perfection well predicts behavior and we find that investment opportunities increase cooperation as compared to the no investments condition. When the probability of continuation is high (0.75), we find that introducing investments has a positive effect on cooperation efforts, even though this effect is not supported by subgame perfection. Further, we do not find any significant differences between the treatments with low and high probability of continuation. Hence, in our experiment, increasing the probability of continuation does not significantly affect cooperation, suggesting that the relevant force is rather the opportunity to invest.

Not all income is the same to everyone: cognitive ability and the house money effect in public goods games

Presenter:

Julian Hackinger, The Technical University of Munich

Abstract:

The provision of public goods often suffers from a social dilemma generating too little contributions. Yet, it remains an open question how positive contributions materialise. Existing studies suggest that individuals' decisions on how much to contribute depend on cognitive skills. Furthermore, mental accounting research indicates that the source of income matters for economic decision making. I show experimentally that subjects' contributions in a one-shot linear public goods game depend on an interplay of the two factors. While a house money effect exists for subjects with low cognitive skills there is no such effect for those with high cognitive skills. My findings have important implications for taxation, redistribution, and voting behaviour.

From individual to group predictions

Presenter:

Ole-Petter Moe Hansen, Norwegian School of Economics

Co-authors:

Ingvild Almås, Gernot Doppelhofer

Abstract:

We analyse how groups make economic predictions in an experiment, where members of the group have individually undertaken the same prediction in advance. First, we show that observed group predictions yield significantly higher profit compared to any simple statistical weighting of individual predictions. Second, we quantify the influence each group member has in the group prediction using a structural model. In particular, we find that well prepared males and females with higher grades (GPA) and previous experience with investments are influential in groups. Unprepared females have, on the other hand, far less sway over the group decision. Finally, we find that optimal profits in the model can explain less than 40% of realized group profits, pointing to sizeable group dynamics.

Tracing intuition and deliberation in risky decision making for oneself and others

Presenter:

Jan Hausfeld, University of Konstanz

Co-authors:

Kinga Posadzy

Abstract:

The aim of our study is to explore the mechanism behind risky decision-making and how it interplays with intuition and cognition in the decision-making process for oneself and other individuals. Researchers unanimously agree on the importance of risky decision-making for oneself and other individuals. However, there is little agreement on the direction and significance of the differences in self-other choices under risk. For example, Chakravarty et al. (2011) and Pollmann et al. (2014) find that individuals are less risk averse when they make decisions for others. On the other hand, Eriksen & Kvaløy (2010) show the opposite result: individuals are more risk averse when making decisions for others. We hypothesize that the differences in findings in the literature can be attributed to different decision-making modes that are activated when making a choice. We propose that the emotions experienced at the moment of decision making play a more significant role when individuals make decisions for themselves as they are directly affected by the outcomes compared to making decision for a random, anonymous individual. Stronger affect experienced during the decision making may activate intuitional processing, while decisions for others might activate more deliberative, cognitive processing Jung et al. (2013). To identify causal effects of intuition and deliberation, we manipulate processing modes in an eye-tracking experiment and investigate the information search pattern in a risky choice situation for oneself and for another anonymous participant. Our findings will help better understand whether risk preferences are stable or depend on the environment in which decision is made. The results are relevant in designing policies that aim to help individuals make optimal decisions when taking risks for oneself but also for other people (e.g. in case of financial investors, managers or doctors).

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Exploring self-image motives in the hypothetical bias for private goods

Presenter:

Franziska Heinicke, Utrecht University School of Economics

Co-authors:

Stephanie Rosenkranz

Abstract:

Stated willingness-to-pay from hypothetical surveys generally exceeds revealed willingness-to-pay from real purchase experiments. One explanation for this hypothetical bias that has been put forward is that participants use high willingness-to-pay statements to improve their moral self-image. We extend this theory, which thus far has been limited to public goods, to private goods by applying the concept of ideal self-congruity from consumer research. In the resulting theory people enhance their self-image by showing support for a desired product-image. This motive is predicted to be more pronounced in stated willingness-to-pay because participants do not have to consider any monetary consequences. We test this theory in an experimental study with a purely private good and with a private good with a moral component (a sustainably produced product). Our experimental results of a 2x2 between-subject design with 395 subjects reveal that the effect of self-image motives, elicited two weeks after the treatments, is related to people's familiarity with the good and that the effect is more pronounced in real purchase decisions. This indicates that the effects of (self-)image concerns are not simply additive to other utility components in determining willingness-to-pay. While the results yield no unambiguous support for the theory, they help identify avenues for further research on the origin of the hypothetical bias.

Women ask for less (only from men): evidence from alternating-offer bargaining in the field

Presenter:

Iñigo Hernandez-Arenaz, University of the Basque Country

Co-authors:

Nagore Iriberri

Abstract:

We study gender differences and gender interaction effects in bargaining. Data from a TV show offer a unique opportunity to observe both bargaining outcomes and behavior, with sizable stakes. The matching between male proposers (strong position) and female responders (weak position) is different from all other matchings. No differences are observed in opening offers, but women demand less from men than from women. This differential behavior yields bargaining outcomes that are more favorable for men and less favorable for women when male proposers encounter female responders.

Choosing who you are: the structure and behavioral effects of revealed identification preferences

Presenter:

Florian Hett, Goethe University Frankfurt

Co-authors:

Markus Kroell, Mario Mechtel

Abstract:

Identification allows people to affect their social identity by choosing who they are. Accordingly, this paper treats social identity as a choice. Using a revealed preference approach in a laboratory experiment, we analyze whether individuals identify rationally, that is as if maximizing an identity-enhanced utility function. In line with social identity theory, participants prefer identifying with groups that have a higher social status and to which they have a smaller social distance. In a second step, we analyze how identi fication affects subsequent behavior. We fi nd that the between- as well as the within-subject heterogeneity in identifi cation has predictive power for the corresponding heterogeneity in group-specifi c social preferences. This consistency in behavior strengthens the interpretation of identity-related choices as rational and emphasizes the signi ficance of identi fication as a choice for identity-related behavior in general and social preferences in particular.

Volunteering under population uncertainty

Presenter:

Adrian Hillenbrand, Max Planck Institute for Research on Collective Goods, Bonn

Co-authors:

Fabian Winter

Abstract:

There is ample evidence that the number of players can have an important impact on the cooperation and coordination behavior of people facing social dilemmas. With extremely few exceptions the literature on cooperation assumes common knowledge about who is a player and how many players are involved in a certain situation. In this paper, we argue that this assumption is overly restrictive, and not even very common in real-world cooperation problems. We show theoretically and experimentally that uncertainty about the number of players in a volunteer's dilemma increases cooperation compared to a situation with a certain number of players. We identify additional behavioral mechanisms amplifying and impairing the effect.

Cooperation and communication in a risky social dilemma: experimental evidence from the field

Presenter:

E. Lance Howe, University of Alaska, Anchorage

Co-authors:

James Murphy, Andrew Gerkey, Colin West

Abstract:

In small-scale personal exchange economies communication is a key factor in coordinating behavior that ranges from harvesting and hunting to pooling resources to cover idiosyncratic shocks. We will present results from a series of field experiments conducted in Western Alaska with indigenous Yup'ik and Cup'ik people who maintain strong social norms about the harvesting and sharing of subsistence foods (e.g. salmon, moose, and marine mammals). Based on ethnography used to identify local norms of sharing, cooperation, and punishment, we designed a series of field experiments to test the effects of communication and reputation on cooperation in a social dilemma with idiosyncratic risk. Preliminary analysis suggests that communication significantly increases cooperation in both investment and the pooling of resources to cover risk. Transcript data is also analyzed to highlight the English and Yup'ik words used to signal game decisions, game strategies, motives for decisions, and comparisons between the game and subjects' everyday lives; transcripts indicate social pressure is used effectively to address non-cooperative behavior in both sharing and investment domains. Interestingly, the sharing of resources to pool risk is actually lowest in reputation treatments even with communication. Consistent with our earlier findings from field experiments in Kamchatka Russia, subjects strongly condition sharing on perceived worthiness of the needy player, with and without communication.

Does source of income affect risk and intertemporal choices?

Presenter:

Hans Hvide, University of Bergen

Co-authors:

Jae Ho Lee

Abstract:

Economic theory assumes that investment choices do not depend on the source of the budget. We test this assumption through conducting two experiments. In both experiments, we divide participants into two groups: those that obtain an endowment through a windfall and those that obtain the same amount through completing a physical effort task (the "hard-earned" group). We show that individuals in the hard-earned group make less risky and more patient choices than individuals in the windfall group. We corrobate the existence of source-dependent decision rules by conducting a survey on a large and representative sample of individuals. Our findings are consistent with versions of mental accounting theory where mental accounts are linked to source of income. We conclude that windfall gains lead to more risky and less patient choices than hard-earned income, unlike what is assumed by economic theory.

Taking on power: experimental evidence from matrilineal and patriarchal societies in India

Presenter:

Marcela Ibanez Diaz, University of Göttingen

Co-authors:

Debosree Banerjee, Gerhard Riener, Meike Wollni

Abstract:

In most societies, coercive power is in the hands of men. We investigate whether this outcome can be explained by gender differences in the willingness to take on power. To investigate this question we implemented a public goods game in matrilineal and patriarchal societies in India where participants can endogenously determine whether they want to take the role of third party punisher. We find that gender differences in the willingness to take power depend on the society. While in the patriarchal society women are less willing to take the power position than men, the opposite is true in matrilineal societies. Our results indicate that changes in the institutional environment can promote gender equity. In particular, anonymity of the third party punisher and reduced retaliation possibilities against her/him result in increased representation of the segregated gender in both societies.

Abstract, concrete and loaded framing of the public good game

Presenter:

Ozan Isler, University of Nottingham

Co-authors:

Daniele Nosenzo, Chris Starmer

Abstract:

As a methodological exploration of the effects of “abstract vs. concrete” and “neutral vs. loaded” descriptions on cooperative behaviour as well as on understanding, beliefs and social norms, we systematically manipulate label frames to construct four sets of instructions for a one-shot linear public goods experiment. One can identify two “traditions of instructions” in the literature that describe the same linear public goods experiment in relatively different language (e.g., Laury et al 1995 vs. Fischbacher et al 2001). These approaches rely on different collections of suggestive label frames such as “investing in a group account or to a private account” and “contributing to a project or keeping for self”. Associations enabled by these cues may enhance comprehension by concretizing the decision context in the mental account of the subjects. Nevertheless, within a context that is relatively open to interpretation, these phrases may also act as behaviour-guiding cues. We check for the existence of such “framing effects”, and investigate whether they are due to “concretization” or to “loading” of instructions (i.e., referring to materially vs. socially existing objects and actions). We find that the two traditional “concrete & loaded” instructions increase contributions and lower free-riding compared to our novel “abstract” and “concrete & neutral” instructions. We provide evidence that social norm perceptions regarding free-riding are significantly affected by concretization but not by loading. We relate our findings to the methodological debates on the role of context in experiments (e.g., Harrison & List 2004) and on the use of neutral vs. loaded descriptions in Experimental Economics (e.g., Abbink & Hennig-Schmidt 2006). References Abbink, K., & Hennig-Schmidt, H. (2006). Neutral versus loaded instructions in a bribery experiment. Experimental Economics, 9(2), 103-121. Fischbacher, U., Gächter, S., & Fehr, E. (2001). Are people conditionally cooperative? Evidence from a public goods experiment. Economics Letters,71(3), 397-404. Harrison, G. W., & List, J. A. (2004). Field experiments. Journal of Economic literature, 42(4), 1009-1055. Laury, S. K., Walker, J. M., & Williams, A. W. (1995). Anonymity and the voluntary provision of public goods. Journal of Economic Behavior & Organization, 27(3), 365-380.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Optimistic and stubborn: an experimental analysis of the disposition effect

Presenter:

Iñigo Iturbe-Ormaetxe, University of Alicante

Co-authors:

Carlos Cueva, Giovanni Ponti, Josefa Tomas

Abstract:

The disposition effect (DE) is a common investment bias consisting of the tendency to sell profitable assets too soon and hold losing assets too long. We investigate the individual determinants of the DE in a standard experimental environment, as well as one with transaction costs and one with a competitive payment scheme. We find that the most significant psychological predictors of subjects' DE and of their reluctance to realize losses are optimism and stubbornness (difficulty recognizing one's errors). Overall, the DE is significant across all trading environments. Contrary to earlier reports, we do not find a significant gender difference in the DE in any environment, although we do find that females are more reluctant to sell losing assets in the standard environment.

Stealing diamonds - an eye-tracking study of dishonesty

Presenter:

Catrine Jacobsen, University of Copenhagen

Co-authors:

Toke R. Fosgaard, Chris Street

Abstract:

In two eye-tracking studies we focus on tracing the visual patterns during (dis)honest decisions. In the first study we find four types of processes: Immediate honest, immediate dishonest, hesitant honest, and hesitant dishonest differing in decision speed and which options they visually consider. The immediate decision makers mainly focus on the option they choose, whereas the hesitant participants are wavering between honesty and being a little bit dishonest, or only being a bit dishonest or maximizing gains without considering the honest option. Spotting these processes is interesting per se, but also opens up for new ways of exploiting the moral wiggle-room to improve behavior. The second study explores the visual decision pattern further by introducing an answer prompt once a respondent has looked at a target for a certain amount of time. This manipulation is introduced to test whether it is possible to bias a moral choice depending on where in the decision process a person is asked to give a response.

The effects of competition on aggression: an experimental investigation

Presenter:

Johanna Jauernig, The Technical University of Munich

Co-authors:

Christoph Lütge, Matthias Uhl

Abstract:

Competition may not only promote egoism, but may bring forth a darker side of us. Competition has been accused of fostering a Hobbesian struggle and eroding morals (e.g. Falk, Czech 2013). We want to test this in an experiment in order to better understand these effects. In our laboratory study, we introduce a competitive setting and subsequently elicit destructive behaviour of participants by money burning. In the treatments, we manipulate competition and the power to decide about the counterpart's money. By that, we test whether competition does in fact induce aggression. Furthermore, we disentangle motives for such behaviour. Our manipulation enables us to see if asymmetric power reduces aggression, since it rules out pre-emptive retaliation. We also investigate to which extent power and competition interplay regarding aggression levels. We can also find out whether subjects with different statuses (winner and loser) behave differently.

Competitiveness, inequality-aversion and spiteful behavior: the dark side of social comparison

Presenter:

Aneeque Javaid, University of Osnabrück

Co-authors:

Achim Schlüter

Abstract:

A large body of experimental evidence suggests that social or other regarding preferences are a vital part of decision making process in social dilemma (common-pool resource dilemma) situations. We are mainly interested in two different types of social preferences namely, inequality-aversion –the desire to have equal outcomes for the group-, and competitiveness-the desire to be ahead of others-, and their relationship with cooperation and spiteful behavior in the context of common-pool resource dilemmas. Inequality-aversion can facilitate cooperation and mitigate spiteful behavior in common-pool resource dilemmas by incorporating others´ welfare and fairness norms, especially in settings where all individuals have equal access to resource. On the other hand, individual-level competitiveness can lead to pursuit of selfish gain at the cost of collective welfare (loss), thereby decreasing the probability of cooperation and increasing the chances of spitefulness. In the present study we measure participant's inequality-aversion and their competitiveness using standard experimental tasks. Next we link these individual attributes to cooperation and spiteful behavior in the context of common-pool resource extraction scenario. The study was conducted with 252 fishers in Zanzibar. We find that competitive fishers are less likely to adopt cooperative strategies in CPR games, although this effect is only visible under high level of extraction externalities. Furthermore, we observe that even though inequality-aversion is negatively associated with spiteful behavior in general, however during the CPR experiment inequality-averse individuals show higher propensity to opt for spiteful actions. We find that this desire for spiteful behavior is strongest for those inequality-averse participants whose extraction level is lower than their group members during earlier stages of the CPR experiment. This behavior systematically reduces the overall earnings of the group and does not lead to increased cooperation at the group level. These findings suggest that both competitiveness and inequality aversion can lead to lower cooperation in social dilemma situations. However individual competitiveness largely reflects itself in non-spiteful ways, whereas reducing others´ payoffs by engaging in spiteful behavior can be a major motivation for inequality-averse participants, even if it means lower personal and group welfare.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Behavioral effects of inactivity in the lab

Presenter:

John Jensenius III, Nuffield College Oxford University

Abstract:

In this study I explore the role of subject inactivity in social science laboratories and how it affects subjects and their behavior. Specifically, I look at how experimenter-imposed and peer-imposed inactivity affects subject behavior in three simple economic environments: a Dictator Game, a Voluntary Contributions Public Good, and a risk elicitation. I find no change in behavior in any of these environments as a result of the inactivity imposed by the experimenter, however when inactivity is the result of the actions of other subjects, I find some evidence that inactivity affects subject behavior in the Dictator Game, and strong evidence that it affects behavior in the Public Goods environment. I also use a novel setup to take a direct measure of the value subjects have for inactivity. I find that for a portion of the subjects inactivity holds zero value, however most subjects are willing to forgo positive wages to avoid inactivity.

Work productivity versus Income redistribution in a voting experiment

Presenter:

Natalia Jimenez, University of Granada and Middlesex University

Co-authors:

Elena Molis, Angel Solano-Garcia

Abstract:

In the midst of the recent debt crisis, income inequality, income redistribution and tax compliance has been a hot issue in many parliaments of developed countries. In this paper, we analyze which proportional tax scheme is selected by voters in an election when those voters differ on productivity. To do so, we propose a theoretical model in which voters care about consumption and leisure, and labor supply. They also have to vote for the level of income redistribution through a linear tax rate. We obtain that under certain conditions low-productive workers vote for the low tax rates in order to increase work incentives of high-productive workers. In particular, low-productive voters support a low tax rate when productivity does not differ too much across individuals. We also find that it is more likely that low-income voters support parties offering a low tax rate in democracies with a high fiscal tradition. Finally, if we introduce a behavioral cost of paying taxes (suffered by high-productive voters) the result of low-income voters supporting low tax rates is reinforced. The second part of this work entails testing the theoretical results mentioned above using a lab experiment. We have very preliminary results but theoretical results are fairly supported with a few exceptions.

Trust, ethnic diversity, and personal contact: experimental field evidence

Presenter:

Åshild Auglænd Johnsen, Norwegian University of Life Sciences

Co-authors:

Henning Finseraas, Torbjørn Hanson, Andreas Kotsadam, Gaute Torsvik

Abstract:

We study whether close personal contact with minorities in uences behaviour in a trust game. According to contact theory, close personal contact with minorities can in specific contexts reduce out-group bias on outcomes like out-group trust. We conduct a standard trust game embedded within a survey in a context where contact theory is assumed to operate, namely in the Armed Forces. By randomly assigning soldiers into rooms during bootcamp we are able to explore whether those sharing room with a soldier with a minority ethnic background behave differently in the trust game than soldiers from rooms consisting of only majority background soldiers. We explore the effect of room sharing on both out-group and in-group behaviour in the trust game.

Discrimination in small markets with directed search

Presenter:

Knut-Eric Joslin, BI Norwegian Business School

Abstract:

Although discrimination in labor markets operates at the hiring stage, it also has consequences for the application behavior of workers and the wage-posting decisions of firms. In this project, we investigate these effects in a simple posted-wage market with homogeneous firms and two worker types, “preferred” and “discriminated”. Discrimination is implemented by giving the preferred workers priority in hiring: If a preferred worker and a discriminated worker apply for the same job, the preferred type worker is hired. We show first that the theoretical outcome is a separating equilibrium in which a subset of firms set a “high” wage to which only preferred type workers apply, and the remaining subset of firms sets a “low wage” to which only the discriminated workers apply. The reason for this outcome is that the discriminated workers avoid applying to the high wage firms to which the prioritized workers apply. In effect, the discriminated workers self-segregate in order to avoid competing with prioritized workers. Importantly, this drives down the expected income for discriminated workers for reasons unrelated to productivity differences. In addition, firms earn higher profits than in the absence of the discriminatory hiring institution. In the experimental portion of the paper, we find support for the self-segregation effect predicted by theory. Although we do not reproduce the sharp separating equilibrium, we do find a strong sorting effect: The preferred worker types apply predominantly to firms that set the high wage while discriminated workers apply disproportionately to firms that set the low wage. This project demonstrates that discrimination can operate by inducing different groups of workers to apply to different types of jobs.

The precautionary principle as a heuristic patch

Presenter:

Kim Kaivanto, Lancaster University Management School

Co-authors:

Winston Kwon

Abstract:

In this paper we attempt to recover an integrated conception of the Precautionary Principle (PP). The alpha=0.05 inferential-threshold convention widely employed in science is ill-suited to the requirements of policy decision making because it is fixed and unresponsive to the cost tradeoffs that are the defining concern of policy decision making. Statistical decision theory -- particularly in its Signal-Detection Theory (SDT) variant -- provides a standard framework within which to incorporate the (mis)classification costs associated with deciding between preventive intervention and non-intervention. Circumstances that yield a (1,1) corner solution in the SDT model are also sufficient for preventive intervention under the PP. Thus the PP can be understood as a heuristic variant of the SDT corner solution, where the SDT model serves to patch the incongruity between the inferential practices of science and the inferential requirements of policy decision making. Furthermore, SDT's analytical structure directs attention to a small number of variables -- (mis)classification costs and prior probabilities -- as determinants of the (1,1) corner solution. Psychological biases impinging upon these variables -- omission bias and protected values, moderated by the decision maker's industry-aligned (insider) or industry-opposed (outsider) status -- combine within SDT to successfully retrodict features of the PP previously considered puzzling, if not inconsistent or incoherent. These psychological biases do not exclude, and may in part reflect, the decision maker's deontological moral beliefs, or indeed social norms embodied in the nation's legal system (common law vs. civil law).

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The effect of point-of-sale CO2 information on flight choice: a real-CO2 lab experiment

Presenter:

Kim Kaivanto, Lancaster University Management School

Co-authors:

Eike Kroll, Cecilia Woerthmueller

Abstract:

Behavior change in flight choice can potentially have a large impact on total GHG emissions associated with air travel. Yet the study of route choice architecture – with the ultimate aim of bringing about large-scale behavior change – is still in its infancy. Existing studies of the effectiveness of route-choice shaping measures suffer from a methodological shortcoming beyond the well-known lack of incentive compatibility that is characteristic of survey-based studies (e.g. Waygood and Avineri, 2011; Avineri and Waygood, 2013) and of stated-choice designs (e.g. Gaker et al., 2010). Even if route-specific costs are incorporated into an experiment's real-money incentive scheme, the associated GHG emissions remain hypothetical in all but fully fledged natural field experiments. We confront the methodological challenge by devising an extended-domain incentive scheme. Hence in this paper we report results from a flight-choice experiment in which choices made in the laboratory have not only real-money consequences but also real-CO2 consequences. The approach developed here is not specific to air transport. Potentially, this approach may be applied more widely in choice-architecture studies targeting GHG-emissions efficiency. Our approach exploits the possibility present within the EU Emissions Trading System (ETS) for 'retiring' emissions certificates – i.e. of purchasing emissions certificates and removing them from the EU-ETS and its secondary market – thereby reducing the total tCO2 that companies in EU-ETS countries are permitted to emit without facing a heavy (€ 100/tCO2) fine. By credibly committing, at the beginning of an experiment session, to retiring a specified number of tCO2 at the end of the session less the tCO2 associated with session-participants' choices, we link subjects' within-experiment choices to the number of metric tonnes of CO2 that European businesses may emit without facing the € 100/tCO2 fine. Within-lab choices thus have real-CO2 consequences outside the lab. In total we test four different choice-architecture manipulations: (T1) the provision CO2 information prior to flight choice; (T2) a CO2-neutralizing-prices treatment; (T3) a CO2 'tree-equivalent' treatment expressing the number of years of tree growth required to absorb the flight's CO2 externality; and (T4) an Asymmetric-Dominance Effect (ADE) treatment. Differences between choices in each of these treatments and choices in the no-CO2-information baseline treatment (T0) provide measures of subjects' willingness to sacrifice personal gain for reducing a public bad. Yet, unlike public-bad games (Andreoni, 1995; Moxnes and van der Heijden, 2003), the consequences of the public bad are experienced outside the lab, over a long period of time – which is fitting given that the 'public bad' of interest is CO2 and the consequences are those of climate change. We ran this within-subjects experiment at Lancaster Experimental Economics Laboratory (LExEL) in 3 sessions of 15 subjects, each of whom responded to 80 choice tasks (3,600 observations in total). We find that, under the real-CO2 incentive scheme, provision of CO2 information prior to flight choice causes a substantial and statistically significant increase in the frequency with which the CO2-efficient flight option is chosen. The increase between treatments T0 and T1 is 39.7%. None of the remaining

treatments succeed in further augmenting the propensity to choose the CO2-efficient flight choice. This is consistent with Beattie's (2012) finding that carbon labelling does not have the (System 1, emotional) impact needed to drive behavior change, as well as with Waygood and Avineri's (2011) finding that pure information – e.g. in the form of ''500g of carbon'' does not provide enough context to allow consumers to give it environmentally appropriate weight in their decision making. Our evidence shows however that standard experimental subjects are willing to sacrifice private monetary benefit for limiting their contribution to the public-bad stock (i.e. atmospheric CO2 concentration) when making laboratory choices under an extended-domain incentive scheme. This approach constitutes a methodological improvement for the elicitation and estimation WTP for CO2 mitigation over the conventional survey-based or hypothetical stated-choice instruments.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Confidence, competition, and earnings: women at coed and single-sex colleges

Presenter:

Linda Kamas, Santa Clara University

Co-authors:

Anne Preston

Abstract:

This paper compares economic behaviors and post-graduate labor market performance of women who attend coed and single-sex colleges. We run experiments at two coed and two women-only colleges to measure some of the personal characteristics that single-sex education is hypothesized to influence: confidence, willingness to compete, gendered personality characteristics, major & career aspirations, risk aversion, and pro-social orientation. Post-graduate surveys provide data on labor market experience, including occupation, salaries, sector of employment, graduate education, and so on. This provides us with a rich data set to assess outcomes of women's education in single-sex compared to coed schools, both in personal development and in post-graduate labor market experience. In order to account for potential selection bias, we ran the experiments with first year students at the very beginning of their academic careers in the first weeks of school. By comparing frosh at single-sex schools to those at coed schools of similar caliber, we can see if differences exist before entry to college, thus providing evidence on selection effects. We also compare seniors and frosh at the same institution to see if there are changes due to the college environment they experience and if the changes differ by type of institution, coed or women-only.

Does "Negative Nancy" compete like "Positive Pete"? An experiment

Presenter:

Elina Khachatryan, University of Kassel

Abstract:

This paper explores how differences in self-attribution tendencies and gender affect competitiveness on a neutral task. Compared to men, women tend to ascribe losses to deficient skills rather than bad luck or a poorly chosen strategy. Nevertheless, women do not shy away from competition on a neutral task. Even highly self-critical women embrace competition.

Social capital and large-scale agricultural investments: An experimental investigation in Zambia

Presenter:

Menusch Khadjavi, University of Kiel

Co-authors:

Kacana Sipangule, Rainer Thiele

Abstract:

arge-scale agricultural investments (LSAIs) typically depend on strong formal institutions and market-oriented intensive farming, whereas informal institutions and pronounced levels of social capital tend to characterize the traditional villages located around them. We investigate changes to social capital in such villages when LSAIs materialize in their proximity. We employ an artefactual field experiment to elicit levels of social capital in villages that lie in the direct proximity of two LSAIs in Central Zambia as compared to counterfactual villages further away. Our results reveal greater levels of trust in villages around the LSAIs. Smallholders who worked on large-scale farms also show a greater level of reciprocal behaviour than the control group. Taken together, these results suggest that the LSAIs yield positive externalities on the social capital of neighbouring village communities. Given the similarity of the LSAIs and rural settings covered in our study to those in parts of Sub-Saharan Africa, our findings may also hold important lessons for other developing countries.

Group size and expectation formation in an asset market: a learning to forecast experiment

Presenter:

Anita Kopányi-Peuker, University of Amsterdam

Co-authors:

Cars Hommes, Joep Sonnemans

Abstract:

In many market situations expectations play an important role. Agents form their expectations about future prices, and they act according to these expectations: they buy or sell assets. These actions will then determine the actual price in the market. This research experimentally investigates how price expectations are formed in a large asset market by adapting a “learning to forecast” experiment. Subjects are forecasters of pension funds, and their only task is to forecast the future price of a risky asset. The setup is closely related to Hommes et al. (2008). Participants have relevant qualitative, but not quantitative information about the market characteristics. In particular, they know that the higher the average expectation is, the higher the corresponding market price is ceteris paribus (there is positive feedback on the market). However, they do not know the exact law of motion, and they do not know other group members’ forecasts. We contribute to the existing literature in two important aspects. First, we increase external validity of the “learning to forecast” experiments by having large groups forming one market: in the Large treatment, about 100 subjects form a market compared to the Small treatment where only 6 subjects are in one market (standard in previous literature). Second, we introduce newsletter to drive back prices towards the fundamental. In particular, if the price is very far from the fundamental, then subjects receive news about the state of the market with a known probability. In the experiment we see both stable markets and large bubbles for both small and large markets. A first, preliminary analysis shows no differences between markets considering group size. In some markets news successfully drives prices back towards the fundamental, but we observe very large bubbles in which the news have no effect. Both patterns are observed for both group sizes.

Yes, I'll do it: a large-scale experiment for the volunteer's dilemma

Presenter:

Anita Kopányi-Peuker, University of Amsterdam

Co-authors:

Anita Kopányi-Peuker

Abstract:

In many real life situations people face a simple decision whether to volunteer or not to provide some benefit for themselves and also for others. In this research I investigate the effects of the group size and the magnitude of the volunteering cost in a controlled large-scale laboratory experiment, where subjects play the volunteer's dilemma only once. I have 4 different group sizes, ranging from groups of 3 to about 100, and 2 different cost/benefit ratios. Based on a first, preliminary analysis, I find that high cost only reduces volunteering probability in the smallest groups, but not in the other groups. Furthermore, I do not find monotonic group size effects on the individual volunteering decisions. These findings are not in line with the mixed strategy Nash equilibrium prediction. Subjects volunteer more often in most treatments than the Nash prediction. Finally, as the experiment was run simultaneously in labs connected in Spain and the Netherlands, it allows me to compare decisions across countries: I find that subjects in Spain volunteer more often than subjects in the Netherlands.

Decomposing the description-experience gap in choices under risk or uncertainty

Presenter:

Orestis Kopsacheilis, University of Nottingham

Co-authors:

Chris Starmer, Robin Cubitt

Abstract:

According to the Description-Experience gap (DE gap) when people are provided with convenient descriptions of risky prospects they make choices as if overweighting the likelihood of rare events. Conversely, in the absence of such objective descriptions, when making decisions from experience, they behave as if underweighting rare events. The reasons behind this empirical discrepancy are still a matter of debate. This study reports the results of a 5-treatment lab-experiment that decomposes the DE gap into its most common culprits. By eliciting the components of the Rank Dependent Utility Model (risk aversion and weighting functions) at the individual level and making the appropriate between treatments comparisons, we quantify and qualify each factor's effect in isolation. First, we find that the DE gap is significant only when subjects in Experience treatments collect biased samples. Between-treatment differences in the presentation format, the role of ambiguity or the role of memory, were not significant. Second, we report that Prospect Theory's classical inverse-S-shaped weighting function accommodates our aggregate data well across all treatments. Third, when focusing on the cases where rare events were strictly under-represented, we record a surprisingly clear convergence towards Expected Utility's identity line (linear weighting). We discuss why that might be the case.

Experimental gaming comparison of resource allocation rules in case of transferable utilities

Presenter:

Nikolay Korgin, V.A. Trapeznikov Institute of Control Sciences of Russian Academy of Sciences

Co-authors:

Valery Korepanov

Abstract:

The present paper discusses the comparative analysis results of resource allocation rules using experiments in the form of business games. The comparative analysis involves five rules. First, a resource allocation mechanism that gives the efficient solution of the problem without transferable utility, implementing it as dominant strategy equilibrium in the agents' game, so called Uniform rule (Burkov, 1989, Sprumont 1991). Second and third, the mechanism with balanced payments introduced by Korgin (2013) using the Groves–Ledyard rule that gives the efficient solution of the problem as a Nash equilibrium in the agents' game, as well as its modification reducing the dimension of the action space of the agents. Fourth, a mechanism from the class of proportional allocation mechanisms introduced by Bashar, Maheswaren (2004); within this mechanism, the efficient resource allocation also represents a Nash equilibrium, but the payments are unbalanced. And the last mechanism in the comparative analysis was originally developed as a distributed optimization algorithm, and its theoretical applicability was illustrated for the problems resembling the above statement of the resource allocation problem Boyd, Parikh and Chu (2011). Results of games conducted with mechanisms under consideration were compared in terms of the efficiency criteria of the solution, i.e., the total utility of the participants of each game gained from the resource, and the distance between the resulting allocation and its efficient counterpart. In addition to these "objective" criteria, the mechanisms are assessed "subjectively" by participants. Comparison of mechanisms by these "objective" and "subjective" criteria is discussed.

Sinn's theory of the welfare state - some experimental evidence

Presenter:

Philipp Krügel, Helmut Schmidt University, Hamburg

Co-authors:

Stefan Traub

Abstract:

In his model, Sinn (1995) [Sinn,H.-W. (1995). "Theory of the Welfare State", Scandinavian Journal of Economics 97, pp. 495-526.] adopts the view that the welfare state can be seen as a social insurance device that makes lifetime careers safer. The theory is built on the results of Domar and Musgrave (1944) [Domar, E., and R.A. Musgrave (1944). "Proportional Income Taxation and Risk-Taking", Quarterly Journal of Economics 58, pp. 388-422.] who showed that taxing the returns from risky investments encourages risk taking. Sinn argues that if tax returns are then redistributed risk taking might be even higher because people feel protected by the welfare state. We experimentally study if the theoretical results of Domar and Musgrave and Sinn can be supported with empirical data from the laboratory.

Discouraged gender?

Presenter:

Eryk Krysowski, University of Vienna

Abstract:

Outcomes on the labor market differ substantially by gender. This is caused in part by discrimination. The situation of women has improved significantly over the last 100 years, while the gap in education and working experience has substantially shrunk. However, the dynamics of discrimination is crucially driven by pre-market discouragement, i.e. if members of a discriminated group opt out from investment in human capital in anticipation of being discriminated against. If women are discouraged and tend not to invest in human capital, the statistical reason to discriminate persists over time. However, it fades away if discouragement can be overcome. In an experimental setting I investigate gender differences with respect to discouragement. I use a modified application of the Coate and Loury (1993) model of statistical discrimination where groups are initially asymmetric, which results in a unique equilibrium of full discrimination and full discouragement. As groups become identical over time, a symmetric, non-discriminatory equilibrium arises next to the discriminatory one. Standard theory cannot predict whether transition from the discriminatory to the symmetric equilibrium occurs. In two treatments I put either men or women in the initially disprivileged position to see if there is a gender difference with respect to reaction to being discriminated against. I find that women are less discouraged and they invest more than men do both when they are disprivileged and then they are not. This results in less discrimination when groups are fundamentally identical. I also decompose the gender differences into effects caused by differences in preferences: risk, overconfidence, trust and altruism.

Ambiguity, belief-updating, and measurement of expectations

Presenter:

Sabine Kröger, Laval University

Co-authors:

Charles Bellemare

Abstract:

We develop a novel experimental design where subjects report over multiple periods their expectations probabilistically in the presence of uncertainty about the distribution generating outcomes. Our design is dynamic and provides subjects with new information throughout the experiment about the stochastic process generating outcomes. Subjects express and update their uncertainty about their distribution uncertainty given the information available. We use these data to estimate a behavioral model where each subject is characterized by the reporting rule they use to construct their reported distributions given the available information, and their updating rule used to reduce distribution uncertainty. We find that reported distributions are generally informative of the distribution facing subjects and characterize two dominant reporting rules used by subjects. We also find that a significant share of subjects have difficulties reducing their distribution uncertainty when provided information about the unknown stochastic process. Counterfactual simulations further suggest that ambiguity persistence is likely to hold in other settings not covered by our experiment.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Smells like team spirit: an experiment on relative performance feedback

Presenter:

Ola Kvaløy, University of Stavanger

Co-authors:

William Gjedrem

Abstract:

Between and within firms, work teams compete against each other and receive feedback on how well their team is performing relative to their benchmarks. In this paper we investigate experimentally how teams respond to relative performance feedback (RPF). We find that when subjects work under team incentives, then RPF on team performance increase the teams' average performance by almost 10 percent. The treatment effect is driven by the teams' top performers. The average performance of the top performers within each team is almost 20 % higher when the teams receive RPF compared to when the teams only receive absolute performance feedback. The experiment suggests that top performers are particularly motivated by the combination of team incentives and team RPF. In fact, team incentives trigger significantly higher top performance than individual incentives when the team is exposed to RPF. We also find notable gender differences. In particular, women respond negatively to individual RPF, but even more positively than men to team RPF.

Cooperation, discounting, and the effects of delayed benefits

Presenter:

Felix Kölle, University of Cologne

Co-authors:

Thomas Lauer

Abstract:

Collective action problems are ubiquitous in nature and exist at all levels in human society. Numerous studies have investigated the determinants of cooperation in social dilemma situations. Yet, one forgotten factor in all of these studies is that in many of the real-world problems of cooperation (e.g. global warming), the costs of cooperation are immediate while the rewards from cooperation are delayed. Since most people exhibit a present bias, incentives for cooperation are additionally weakened leading to lower predicted social efficiency. In this study, we provide the first systematic analysis of how time preferences and the effect of delayed benefits affects cooperation within groups.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Should I stay or should I go? The cognition of exploration and exploitation

Presenter:

Sheen S. Levine, University of Texas, Dallas

Co-authors:

Charlotte Reypens

Abstract:

In many life situations — financial investments, R&D decisions, military campaigns, romantic choices — a decision maker chooses sequentially between repeating a past action, expecting a familiar outcome (exploitation), or trying a novel action whose outcome is more uncertain (exploration). For instance, in each quarter, a manager can budget advertising for an existing product, earning a predictable boost in sales; or she can spend to develop a completely new product, whose prospects are more ambiguous. How do people decide? Are there decisions the result of individual traits, such as risk preferences, or of contextual variables, such as past experience. To understand, we develop and test two instruments: One introduces a series of bets to assess an individual's attitude towards risk, where the distribution of outcomes is known, and ambiguity, where it is not. A second simulates the sequential choice and ambiguous outcome inherent to such decisions, allowing us to observe how participants make them. We find that people's choices are strongly influenced by their past experience. When a decision-maker exceeds her top performance; or accumulates successes; or experiences high variance; she is less likely to explore and more likely to exploit. That implies that people with identical skills and preferences can end up in a remarkably different paths, simply because they had different experiences. It's not just where you are now — it's how you got there.

Anchoring in bargaining

Presenter:

Jona Linde, Maastricht University

Co-authors:

Thomas de Haan

Abstract:

A popular basic advice given to bargainers trying to achieve a low price is to state a low opening offer. This strategy could lead to low agreement prices for several possible reasons. It can signal that you are a tough negotiator, it could mentally commit you to a hardnosed strategy, or it could anchor your opponent on a low number. In this project we want to investigate the role of anchoring in a bargaining setting. Firstly, we want to separate the above mentioned other possible effects of setting a strategic opening offer and the anchoring mechanism. Secondly we want to investigate whether the effect of an anchor on an agreed upon price depends on the 'anchored' party being aware that the anchor was set by a strategic opponent as opposed to knowing an anchor was drawn randomly. Anchoring is one of the most well-established psychological mechanisms: if people consider a low number they will provide lower estimates and valuations in a range of situations. However, as far as we know there has not been a study that looked at the effect of anchoring in a strategic setting and tried to distinguish this effect from other strategic mechanisms. In our experiments we will present proposers in an ultimatum bargaining setting with an anchor value that is either randomly determined, or set by their responder. Comparing the offers made after similar random and strategically set anchors allows us to explore whether anchoring works in a strategic settings. Comparing the strategic anchor treatment with a control treatment without anchors allows us to determine whether respondents manage to use the anchors to influence offers. Results from this experiment add to our understanding of the mechanisms behind anchoring, and the effectiveness of different bargaining strategies. We will present results of pilot experiments and will refine the experimental design based on these results. As a result input from interested researchers is especially useful at this stage.

Rankings and risk-taking in the finance industry

Presenter:

Florian Lindner, University of Innsbruck

Co-authors:

Michael Kirchler, Utz Weitzel

Abstract:

Rankings are a pervasive feature of the finance industry. Although they have no direct monetary consequences, rankings provide utility for intrinsic (positive self-image) and extrinsic (status) reasons. We recruit a unique subject pool of 204 financial professionals and investigate how anonymous rankings influence risk-taking in investment decisions. We find that rankings increase risk-taking because of financial professionals' desire for positive self-image. This particularly applies to underperformers, who take the highest risks. Incentivizing rankings monetarily does not further increase risk-taking. In a comparative study with 432 students we find that student behavior is not driven by rankings.

Manipulating the savings decisions of children: experimental evidence

Presenter:

Moritz Lukas, University of Hamburg

Co-authors:

Markus Nøth

Abstract:

Based on an experiment conducted in an elementary school, we investigate the influence of varying interest rates, time horizons, and default settings on the savings decisions of children. Our first result shows that lower interest rates on savings, a longer time until the savings can be accessed, and an opt-in framing of savings make children more likely to consume one or more out of ten items immediately instead of saving them. Second, the number of items chosen for immediate consumption increases with a longer time horizon. In addition to our main results, we find that children at higher grade levels are more patient than children in lower grades. Due to the potential long-term implications of childhood patience, our results have important implications for policymakers and financial institutions.

Heterogeneity in information preference: a social learning experiment

Presenter:

Mingye Ma, University of Edinburgh

Co-authors:

John Duffy, Ed Hopkins, Tatiana Kornienko

Abstract:

Social learning refers to the process that individuals learn by observing the behaviour of others in their local environment. Existing experimental results based on a seminal design by Anderson & Holt (1997) suggest that people in general often fail to learn from others when they should due to overweighting private information (Weizsäcker, 2010). However, homogeneous agents assumption behind this design and analysis is a major limitation as individual heterogeneity towards private/social information can be widely observed in reality. In order to address the issue of heterogeneous agents, this paper applies the revealed preference approach developed in Duffy, Hopkins and Kornienko (2014) to the sequential social learning experimental design of Anderson & Holt (1997). In contrast to Anderson & Holt (1997) where agents receive both private and public information by default, in our modified design agents have to choose between social and private information. We believe our design has three main advantages compared with the standard design by Anderson and Holt (1997). Firstly, by implementing information choice to subjects, theoretical predictions become clearer and it allows for within subject analysis, which makes individual heterogeneity distinguishable. In other words, this design allows us to classify subjects whose information choices are consistently deviated from equilibrium into two types: Lone Wolves (who excessively use private information) and Herd Animals (who excessively use social information). Secondly, the choices of information made by subjects can serve as a much sharper indicator of their information preference than deriving such preference from a single action, which can be noisy due to confusion. Thirdly, our design is more consistent with the real world scenario of "Small Decision Problems" defined by Erev and Haruvy (2013), where the costs or constraints on information acquisition cannot be neglected. In total eight sessions of experiments have been conducted in Behavioural Lab University of Edinburgh (BLUE). Our results support the theoretical prediction that informational cascade will form given public information is optional. In addition, the hypothesis of individual heterogeneity towards private/social information is confirmed. This is consistent with the experimental result provided by Duffy, Hopkins and Kornienko (2014) that overweighting private information is not significant. Furthermore, we provide an analysis to explain the observed individual heterogeneity (types) with their cognitive reflection test (CRT) scores, personality test results and other personal characteristics. We found that subjects' cognitive ability and other personality traits have a strong correlation with their information choices.

Motivated overconfidence? Evidence from a field experiment

Presenter:

Mingye Ma, University of Edinburgh

Abstract:

Economists believe that the widely observed overconfidence in reality can be a result of both interpersonal motives and intrapersonal motives. The interpersonal motives suggest that people overestimate their ability and performance in order to send a positive social signal (Burks et al, 2013; Charness et al. 2013), or to achieve a better social status (Anderson et al, 2012). The argument of intrapersonal motives is twofold: Firstly, people prefer to hold positive/inflated beliefs since they can derive utility from anticipation, in other words, inflated beliefs provide a consumption value of affective feelings (e.g. Loewenstein, 1987; Koszegi, 2010). Secondly, self-confidence have an important instrumental value to deal with the "weakness of will" (Benabou and Tirole, 2011). Although economists theoretically propose that both can explain the widely observed overconfidence, there is a shortage of experimental evidence. This paper will focus on the intrapersonal motives of overconfidence and try to provide experimental insights on the following questions: Are consumption motive and instrumental motive observable in reality? Which one of these two contributes more to people's confidence level? The field experiment was conducted with undergraduate students from an economic course and required to submit a coursework essay. With the help of the online teaching system "Blackboard Learn", we were able collect students' confidence level (belief about how well their essay is) multiple times through a series of online surveys. Although in general students are not overconfident about their absolute level of performance, we find a clear dynamic map of students' confidence level. Specifically, they were most optimistic about their essays while they were working on it, and become much less confident after submission of the essay, and the confidence level stays till the release of actual results. The dynamics of the confidence level suggests that students adopt inflated beliefs as a motivator to pursue difficult goals—the instrumental motive is supported by our findings. On the other hand, the consumption value of inflated beliefs is not supported by our result.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Give me an `S'! Diminishing sensitivity and loss aversion in life satisfaction

Presenter:

Daniel Mahler, University of Copenhagen

Co-authors:

Ohto Kanninen

Abstract:

Prospect theory and its empirical applications have shown that people make decisions in narrowly framed contexts based on the value of those choices relative to a reference point. The resulting mapping from outcomes to utility is called the value function and it exhibits diminishing sensitivity and loss aversion, which together make the value function an S-curve. Diminishing sensitivity means diminishing marginal value of losses and gains. Loss aversion means that losses are more significant than equal gains. In this paper we use data on life satisfaction from the German Socio-Economic Panel to test whether the properties of the value function extend from narrowly framed choice contexts in experiments to the life-as-a-whole experienced utility context. We find that the mapping from changes in earnings to life satisfaction mimics the predicted S-curve remarkably well. This finding is robust to a large set of controls and alternative specifications. In particular, we find that earnings losses have 2.5-3 times greater impact on life satisfaction than earnings gains. We also show that measuring the changes in earnings by log differences produces the most symmetric 'S' in experienced utility.

Gambling addicts exhibit the standard patterns of experiential learning

Presenter:

Davide Marchiori, University of Southern Denmark

Co-authors:

Graziano Bellio, Valeria Cingano, Amelia Fiorin

Abstract:

Psychology research has investigated in depth choice behavior in individual decisions from experience, i.e, repeated decisions among stochastic alternatives with immediate feedback, when the description of payoffs and of the payoff probability distributions are not known to decision-makers. Decisions from experience depict the wide class of naturally occurring situations in which decision-makers can only rely on the information conveyed by the sequence of observed outcomes from each sampled alternative. Empirical research has highlighted several robust behavioral regularities of decisions from experience–among which the tendency to underweight rare events is perhaps the most important. Remarkably, it is not known to what extent these behavioral regularities also feature behavior by people affected by pathological addiction to gambling. Here we show that gambling addicts exhibit patterns of experiential learning and choice behavior that are indistinguishable from those typically observed for healthy people. In particular, our results demonstrate that gambling addicts and healthy people underweight low probability events and chase recent good outcomes to the same extent, and exhibit similar risk preferences. In addition, the pathology severity and the impulsivity trait are not significantly correlated with the quantification of any of the considered behavioral regularities. The implications of our results are three-fold. First, we demonstrate that the main patterns of choice behavior observed in experience-based decisions are fundamental features of human choice behavior, robust to pathological addiction to gambling. Secondly, our results confirm that gambling addicts are normally able to integrate information, and suggest reconsidering the importance of cognitive dysfunctions as the main cause of and sustaining factor for pathological gambling. Thirdly, our results further support of the idea that rather being stable individual traits, risk attitudes are the product of the joint effect of the behavioral regularities that shape our reactions to past experience, and that can thus be contingent to the current situation.

Popularity effects in the dating game

Presenter:

Nikhil Masters, University of Manchester

Co-authors:

Jeroen Nieboer

Abstract:

An important part of mate selection is the allocation of time and attention devoted to the pursuit of potential partners. In many settings however, such resources are limited and people may rely on information from their peers. We investigate this issue using a highly novel testing environment – an actual speed dating event. Specifically, we manipulate the provision of feedback on the popularity of potential partners. The results indicate that popularity feedback motivates a substantial number of the participants to revise their decisions.

Is ignorance bliss? An experimental study of the effects of diversity on team performance when members are ignorant of their team's diversity

Presenter:

Brian McCall, University of Michigan

Co-authors:

Avner Ben-Ner, Amit Kramer, Karen Donahue

Abstract:

Diversity in the background of participants in a group impacts their collective performance through three channels: collaboration, creativity and communication. Differences in background may be associated with dissimilarities in demographic attributes, values, beliefs and areas of interest that influence a person's knowledge, perspective on various matters, understanding of different cues, and more. It is commonly argued that collaboration among members of a group decreases with diversity (negative effects of social categorization of members based on their background), creativity increases with diversity (different but complementary perspectives), and communication declines with diversity (for reviews, see Alesina and La Ferrara, 2005; Horwitz and Horwitz, 2007; Joshi and Roh, 2009; van Knippenberg and Schippers, 2007). We evaluate experimentally the effect of demographic, religious, ethnic and other forms of diversity on team performance in three different tasks. In a between-subjects experimental study carried out over networked computers, in one treatment, "veil," we shut off the collaboration channel whereas in another treatment, "reveal," we informed the four team members of all members: gender, musical preferences, political preferences, religion, ethnicity/race and nationality, which were found to impact concern for others in economic, social and work settings (Ben-Ner, McCall, Stephane and Wang, 2009). The information about these characteristics was obtained through information provided by all 180 participants during the experiment registration process (several days before the experiment). The 20 "veil" teams and 25 "reveal" teams engaged in three tasks: a forecasting task, an economic maximization under uncertainty task, and an estimation task. Each participant first carried out each task individually before they were assigned to a team. The four members in each team then had 5 minutes to discuss (in a computer chat room) the solution to the task and submit a consensus decision. All team members received equal monetary reward for the quality of their team performance. We find that, all else equal, groups composed of individuals with higher task-related abilities (based on their individually-submitted solution) have higher group performance on tasks. But for some tasks the increased performance occurs only when background characteristics (religion, musical preferences, political orientation, gender, nationality and ethnicity) are veiled. We also find that increased diversity on some background characteristics, all else equal, improves group performance on some tasks but only when background characteristics are veiled. Our (preliminary) conclusion is that while creativity and communication channels combined can in some cases produce net positive effects on performance, the collaboration channel (in the 'reveal' treatment) can offset these positive effects. In other words, some types diversity is good for some tasks only if group members are ignorant of it. Moreover, while higher ability members tend to improve group performance, the collaboration channel can (to some extent) offset these improvements.

Fast and fair - an experimental comparison of two hypotheses

Presenter:

Anna Merkel, University of Heidelberg

Co-authors:

Johannes Lohse

Abstract:

Economists are increasingly interested in the cognitive basis of pro-social choices. Using response time data, a number of authors have claimed that “fairness is intuitive” (Cappelen et al., 2014). We conduct several experiments to investigate this hypothesis. Specifically, we analyze behavior in 2 person Social Dilemma and simple Binary Dictator Games. We measure response times and also exogenously manipulate response times by placing subjects under time pressure or forcing them to delay their decisions. Our treatments are designed to take into account that response times as well as choices under time pressure may be affected by the subjective difficulty of the choice situation, i.e. the perceived utility difference between the “fair” and the selfish option, as suggested by recent applications of the Drift Diffusion Model (Krajbich et al., 2015). Our main finding is that “fair” choices are correlated with faster response times unless “fair” behavior is highly inefficient. While this evidence may be interpreted to suggest that “fairness is intuitive”, we do not find that time pressure increases the fraction of “fair” choices relative to time delay. In conclusion, our results cast further doubt on the hypothesis that “fairness is intuitive” as well as the notion that intuitive choices can be inferred from response time correlations.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Effort provision and optimal prize structure in contests with loss-averse players

Presenter:

Ayse G. Mermer, University of Manchester

Abstract:

This paper studies a multiple prize contest with expectation-based loss-averse contestants a la Koszegi and Rabin (2006). The predictions of the model is able to align the empirical evidence observed in recent laboratory experiments on effort provision of contestants. More speci cally the model predicts that high-ability contestants overexert effort while low-ability contestants exert very little or no effort in comparison to predictions with standard preferences. Moreover, the optimal prize allocation in contests differs markedly in the presence of expectation-based loss aversion. In particular, multiple prizes can become optimal when the cost-of-effort function is linear or concave, where standard preferences predict the optimality of a single prize in these cases. Several unequal prizes might be optimal when the cost-of-effort function is convex.

The effect of expected shame in dictator games with information asymmetry

Presenter:

Tomas Miklanek, University of Economics, Prague

Abstract:

This study introduces a theoretical model of inequality aversion which can be also used in the environment with information asymmetries. The model is based on the non-paternalistic approach where own utility function incorporates the utility of other people as perceived by a decision maker. Moreover it allows extensions for other motives which may result in pro-social behavior. I extend the model by adding shame aversion as an additional driver for apparently altruistic behavior. Threat of shame is induced by different levels of exposure of either own actions or identity to the third party observers. I also experimentally test predictions of the model using a very simple environment of dictator's game. The experimental design aims to remove additional confounding behavioral effects present in the previous literature. The results suggest that even a very small exposure results to significantly higher amounts sent to recipients. The analysis also shows that the agents, who believe that they can conceal their own actions in front of the less informed counterpart, exploit this information asymmetry for their monetary benefit.

Rational expectations and depth of reasoning in strategic interactions

Presenter:

Peter Moffatt, University of East Anglia

Co-authors:

Ganna Pogrebna

Abstract:

In the context of the standard guessing game, we extend level-k and cognitive hierarchy models to create a hybrid model which includes a class of "sophisticated" agents. Sophisticated agents are rational agents who believe that apart from lower-level types there are other sophisticated agents (of the same level as they are) in the population and best-repond to this belief. A free parameter in the model is psb, representing a sophisticated agent's belief about the proportion of other sophisticated agents in the population. Our hybrid model nests the standard level-k and cognitive hierachy models (when psb=0) as well as the Nash equilibrium prediction (when psb=1) as special cases. Furthermore, if a sophisticated agent's psb belief happens to coincide with the actual proportion of sophisticated agents in the population, ps, we may classify this agent as "clairvoyant sophisticated", since in this situation their best response is the winning response. The hybrid model captures observed behaviour more accurately than any of the nested models. Econometric estimation reveals that around 24% of the population are sophisticated, but that these sophisticated agents tend to over-estimate the proportion of the population who are of similar mind. This is interpreted as a form of projection bias.

Getting to the top: affirmative actions in multi-stage tournaments

Presenter:

Natalia Montinari, Lund University

Co-authors:

Valeria Maggian, Antonio Nicolò

Abstract:

Why are females underrepresented in top job positions? What are the effects of the policies implemented in order to restore equality at the top of the organizations? In this project we aim to study, both theoretically and experimentally, the long run effects of gender quota on women decision to apply for jobs. In particular, we want to investigate males and females decision to compete in a multi-stage environment, resembling a career ladder. Our goal is to evaluate the optimal timing for introducing a gender quota (at an early or late stage of career) and its impact on candidates' choice to compete, performance and beliefs about others' competitive attitude. Our results are relevant for designing policies aimed at increasing the labor force participation of women. Moreover, we will stimulate the debate about long-term effects of affirmative actions, a new and almost unexplored topic.

The anatomy of distributional preferences with group identity

Presenter:

Daniel Müller, University of Mannheim

Abstract:

Social heterogeneity is widely considered to be one of the underlying causes of the small US-American welfare state relative to continental European countries. Causal evidence how distributional preferences are exactly affected is however surprisingly sparse apart from cross-country correlations (Alesina, Glaeser and Sacerdote, 2001). While there is by now overwhelming evidence that people do care about the social group they are part of in economic relevant ways, the literature has not arrived at any deeper conclusions than that participants are more altruistic "toward an ingroup match" (Chen and Li, AER, 2009). Besides, the structural estimates of models of distributional preferences are, for statistical reasons, based on pooled estimations which are likely to mask a wide array of different individual behaviors (Fisman, Kariv and Markovitz, AER, 2007). This paper studies distributional preferences towards members of the in-group and of the out-group in a modified dictator game in a laboratory environment. I introduce a graphical experimental design to this literature which for the first time allows estimating individual-level utility functions. In the experiment, subjects click on graphical representations of linear budget sets with varying slopes for giving to `self' and to `other'. I estimate CES utility functions with two parameters that govern the trade-off between equity and efficiency on the one hand, and giving to self and to other on the other hand. I find that group membership on average significantly changes both the preferences over the trade-off between equity and efficiency as well as the weight people put on other people's income. The results also uncover a surprising heterogeneity of preferences for giving. Only a minority of people behaves completely selfish though. The Generalized Axiom of Revealed Preference (GARP) offers a criterion to judge the degree of rationality of these preferences. I find that these differences stem from overwhelmingly well-behaved, yet systematically different underlying social preferences. Hence this paper also contributes to the question whether we can use a rational choice approach in order to study preferences for giving in the presence of social groups or whether it makes more sense to think about them as `mistakes' or `heuristics'.

The rich domain of ambiguity explored

Presenter:

Julia Müller, University of Münster

Co-authors:

Zihua Li, Peter P. Wakker, Tong. V. Wang

Abstract:

Ellsberg and others suggested that decision under ambiguity is a rich empirical domain with many phenomena to be investigated beyond the Ellsberg urns. We provide a systematic empirical investigation of this richness by varying both the uncertain events, the outcomes, and combinations of these. Although ambiguity aversion is prevailing, we also find systematic ambiguity seeking, confirming insensitivity. We find that ambiguity attitudes depend on the source of uncertainty (the kind of uncertain event) but not on the outcomes. Ambiguity attitudes are closer to rationality (ambiguity neutrality) for natural uncertainties than for the Ellsberg urns, as appearing from the reductions of monotonicity violations and of insensitivity. Our rich domain serves well to test families of weighting functions for fitting ambiguity attitudes. We find that two-parameter families, capturing not only aversion but also insensitivity, are desirable for ambiguity even more than for risk. The Goldstein-Einhorn family performs best for ambiguity.

Gender roles and bargaining behaviour: a lab experiment in Bangladesh

Presenter:

Mahnaz Nazneen, University of Warwick

Abstract:

There is a vast literature that provides evidence of gender differences in bargaining behaviour. One possible explanation of such behaviour is Social Role Theory (SRT) which suggests that men and women behave differently in social situations and take different roles due to expectations that society puts upon them, that almost all behavioural differences are the result of stereotypes. The aim of the study is to examine (i) if there are gender difference in a bargaining behaviour and (ii) if these differences can be explained by SRT in a society where perceptions of gender roles are strongly formed. I use a two person ultimatum game to observe bargaining behaviour among 222 university students in a laboratory experiment in Bangladesh. Subjects are randomly assigned to a control or treatment session where in the latter, subjects read a small vignette about how preferences of individuals are heterogeneous and depends on a number of factors including gender. The purpose of the vignette is to prime for gender differences in behaviour. The main finding is that in the session where subjects were primed, both men and women Responders ask for a higher Minimum Acceptable Offer (MAO) when they are partnered with a female, after controlling for personality traits, intelligence and risk preferences. The prime influences behaviour of both men and women in a similar manner and overpowers their initial perception (if any) about gender roles. Also, consistent with the literature, I find no significant difference in the Proposer behaviour. I conclude that there is fundamentally no gender bias, but the differences are context dependent.

Decision rights: freedom, power, and interference

Presenter:

Claudia Neri, University of St.Gallen

Co-authors:

Hendrik Rommeswinkel

Abstract:

We propose a general theoretical model of decision-rights allocation and choice, formulated in the context of a dynamic psychological game. Decision rights are valued not only instrumentally, i.e. according to the expected utility associated with the achieved outcomes, but also intrinsically, i.e. according to the procedure by which outcomes are achieved. As such procedural motivations, our model introduces freedom, power and interference. We conduct a novel laboratory experiment in which the separate effect of each belief-dependent preference can be distinguished. We find that the intrinsic value of decision rights is driven strongly by an aversion to interference. This result suggests that individuals value decision rights because they dislike letting other individuals interfere on their outcomes.

Peer effects in norm compliance

Presenter:

Daniele Nosenzo, University of Nottingham

Co-authors:

Simon Gächter, Lucas Molleman

Abstract:

We report the results of a novel, large-scale experiment (N > 7,000) to quantify the impact of social influence on norm compliance. In the experiment subjects are asked to comply with an arbitrary behavioral rule at some cost to themselves. No financial sanctions apply if the rule is violated, and thus compliance reflects an intrinsic preference for norm-following. We first study the individual characteristics that correlate with this preference for norm-following. We find that norm-following individuals tend to be relatively more sensitive to feelings of guilt and shame. We then measure whether preferences for norm-following can be weakened or strengthened by subtle cues about the behaviour of others in the task: depending on the treatment, subjects are displayed on their screen the behavior of 0, 1, 2, 3, 4, 5 or 6 other participants, who either follow or violate the arbitrary rule. Across 28 treatments, we map out all possible scenarios where the n other participants are either all compliant, or all non-compliant, or any possible mixture of partial compliance in between. We find large and statistically significant effects of others' behavior on norm-following. However, this social influence effect is strongly asymmetric: observing "good" examples of compliance has virtually no impact on norm-following, but "bad" examples of non-compliance have a powerful negative effect on norm-following. These effects are similar regardless of the number of other participants observed: it is not the number of good/bad examples that a subject observes that matters, but rather whether or a single bad example is observed. Moreover, we find that this negative effect persists (albeit weakened) over time and spillovers to a subsequent repetition of the task where the subjects act again in isolation.

Reciprocal climate negotiators

Presenter:

Karine Nyborg, University of Oslo

Abstract:

Until recently, international climate negotiations have been troubled by mutual mistrust. The Paris agreement essentially asks countries for voluntary emission reductions, involving no substantial enforcement mechanisms. Still, a hope seems to prevail that the agreement will work, because improved beliefs about others' intentions to move forward may make countries more willing to act themselves. If the abatement game faced by climate negotiators is a Prisoners' Dilemma, and countries are narrowly self-interested, such a hope seems unfounded. However, if countries act based on reciprocal preferences, their willingness to abate will be conditional on others' abatement. I show that within a simple model of international environmental agreements, reciprocity can be modelled in a simple and tractable way. If a majority of countries have sufficiently strong reciprocity preferences, a full or majority coalition abating its emissions can be stable. The empty coalition is always stable. In addition, a stable minority coalition may exist; if so, it is weakly larger than the maximum stable coalition with standard preferences, but is characterized by mutually negative sentiments.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Beliefs in a gift exchange game, with random shocks

Presenter:

Regine Oexl, University of Innsbruck

Co-authors:

Brent Davis, Rudolf Kerschbamer

Abstract:

Many employment relationships take the form of a contract: a principal appoints an agent to perform a task on his or her behalf; in exchange, the agent receives a wage. The contract may be incomplete: the wage is paid without that the principal can enforce the amount of effort the agent exerts. These kinds of relationships often exhibit gift exchange (Akerlof, 1982). The gift-exchange hypothesis states that when effort is non-enforceable, a principal could find it profitable to offer a compensation higher than the minimum wage, to induce a reciprocal response by the agent. This reciprocal response may translate into a higher than the minimum effort provided by the agent. Therefore, reciprocity may mitigate the problem of contract enforceability. Based on this theory, many papers have investigated the relation between wage and effort, showing that gift exchange is a robust behavioral finding (for reviews, see Charness and Kuhn, 2011; Fehr et al., 2009; Gächter and Falk, 2002). By means of a laboratory experiment, we investigate a modified gift exchange game. A principal offers a wage to an agent (stage 1), to which the agent responds by selecting a costly effort level (stage 2). Yet, the outcome received by the principal is not only determined by the effort choice, but also depends on an external shock. After the outcome is realized, the principal adjusts the agent's payoff by imposing a fine or paying a bonus (stage 3). In search for an explanation of behaviors, in addition to the choices of the players, we also elicit risk preferences, and beliefs in stage 1 and 2 - of the principal, about the expected effort provided by the agent, and of the agent about the expected bonus / fine imposed by the principal, depending on the shock. To a large part, our design is inspired by Rubin and Sheremeta (2015), who investigate the described setting without elicitation of risk preferences and beliefs. Compared to a setting without shocks, they find that the introduction of a shock significantly reduces wages and effort, regardless of whether the shock is observed by the principal or not. As possible explanation Rubin and Sheremeta suggest that principals simply exhibit outcome-based reciprocity. If this is the case, when agents choose higher efforts, the downside risk that the principal will not reciprocate in the third stage is greater, since the effort chosen is more costly both in absolute and marginal costs: Rubin and Sheremeta's cost function is exponential. As the costs increase, agents must be compensated by either higher payouts or lower uncertainty. In the treatment without shock, agents face the lowest uncertainty, since they know the principals receive exactly the amount corresponding to their provided effort. When shocks are included, the additional risk may make high levels of effort too costly to be worth it. Yet, for this explanation to hold up, agents must believe that principals reward outcome based. Eliciting the agent's risk preferences and belief about the expected bonus/fine, given their effort level, depending on the shock, is the first approach we take in an attempt to find out why agents provide less effort in a setting with shocks, even when the principals observe the effort choices. Furthermore, eliciting the effort levels the principals expect from their agents may explain whether principals expect their agents to behave in a manner in accordance with outcome-based remuneration. By eliciting beliefs, however, we may change the subjects' behavior. While a number of papers shows

that eliciting beliefs does not have a (significant) impact on behavior of subjects (Nyarko and Schotter, 2002; Costa-Gomes and Weizsäcker, 2008; Ivanov, 2011; Wilcox and Feltovich, 2000), others show that belief elicitation can have a significant impact (Croson, 1999, 2000; Gächter and Renner, 2010; Rutström and Wilcox, 2009; Blanco et al., 2010; Hoffmann, 2013; Zelmer, 2003). Therefore, we run control sessions without belief elicitation to being able to determine if behaviors are not only explained by belief elicitation, but are also influenced by it. Finally, by changing the cost function to make higher effort levels more costly in absolute terms but only marginally more expensive in relative terms, we decrease the downside risk compared to the cost function used in Rubin and Sheremeta. Hence, in a second step we investigate how much the effect is driven by the exponentially increasing costs for the agent. Depending on the impact belief-elicitation has on behavior, we run these sessions with / without the elicitation of beliefs. Hence, our experiment is not only a replica of the Rubin and Sheremeta - design regarding shocks in a gift exchange game. We also investigate how much of the variation in behavior is explained by the beliefs of the subjects about the behavior of their counterparts and by their risk preferences. In addition, we check if behaviors are influenced by the elicitation of beliefs - and if so, into which direction. Finally, we check if behavior over treatments (comparing different informational settings regarding shocks to a setting without shocks) stays the same even with a different cost function. In June 2016 we run the computerized experiment (z-Tree, Fischbacher, 2007) at the EconLab of the University of Innsbruck with nine treatments. First, we replicate the three treatments of Rubin and Sheremeta (2015): a gift exchange game, once without shocks, once with an observed shock on effort and once with an unobserved shock. Second, we run these three treatments, eliciting incentivized beliefs of the agents regard the bonus payment, as well as eliciting the belief of the principal regard the expected effort. In addition, at the end of each session, we elicit risk aversion by means of the \bomb" - risk elicitation task (Crosetto and Filippin, 2013). Third, depending on the so far obtained results, we run another three treatments with a less steeply increasing cost function. If belief elicitation does not distort behaviors, then we keep it in the game, otherwise we run the game without belief elicitation. For each treatment, we run 3 sessions à 24 participants. Subjects are split into groups of 8, hence we have three independent observations at the session level, which allows for the use of nonparametric tests. Within each group, half of the subjects are assigned the role of a principal and half the role of an agent. Subjects stay in their role assignment throughout the entire experiment. They play the game for 10 periods, where in each period, subjects from opposite role assignments are randomly matched to form a principal-agent pair, and after each period, subjects are rematched with someone within their 8-person. Sessions will last approx. 60 minutes, and average earnings will be around 15 Euros. The results of Rubin and Sheremeta (2015) have significant welfare implications, since welfare enhancing effort is lower in the presence of shocks, even when shocks are perfectly observable. Hence, the question arises how a high effort could be incentivized also in settings where there are observable / unobservable shocks on output.

Fairness and friendships: the horizontal transmission of fairness norms among 600 adolescents

Presenter:

Jinnie Ooi, University of East Anglia

Co-authors:

David Hugh-Jones

Abstract:

Adolescence is a developmental period when peers become an increasingly important source of social influence. In examining how fairness norms (egalitarian vs. merit-based) are acquired, we explored whether young people's (aged 11 – 15 years) fairness norms are influenced by exposure to their peers' decisions. In this study, we measured young people's friendship network, as well as how they allocated money to a pair of individuals who completed a maths task (fairness norms at time 1). Then, they were exposed to a peer's allocation, before they made a second allocation to another pair of individuals (fairness norms at time 2). First, we examined whether friends exhibit similar fairness norms at time 1. Next, we explored whether friendship status (close friend vs. non-close friend) affects the transmission of fairness norms in adolescence.

Absolute scarcity and cooperation

Presenter:

Marion Ott, RWTH Aachen University

Co-authors:

Abstract:

We investigate whether absolute scarcity influences behavior in repeated prisoner's dilemma games. A resource is absolutely scarce for a person if a certain level of the resource is required in order to meet the person's needs. Do people cooperate more when the resource is scarcer in order to help each other meet their needs, do they dismiss cooperation and hope that the opponent gives in and supports them, or do they play no different as compared to a standard repeated prisoner's dilemma situation? We model games of absolute scarcity by threshold games. Threshold games consist of finitely repeated play of a stage game and a threshold that determines whether the final payoff equals the accumulated stage payoffs (if the threshold is met) or equals zero (if the threshold is not met). In the experiment, we investigate threshold games with a prisoner's dilemma as the base game and four threshold levels in a partner matching and in a stranger matching setting (with matching groups of six players). Theory predicts for the partner matching that, with sufficiently tough thresholds, asymmetric equilibria arise in which only one player meets the threshold. The only symmetric equilibrium payoffs are zero. With low or no thresholds, the non-cooperative payoff is the unique equilibrium payoff. In the stranger treatments, we find higher cooperation rates when the threshold is tough than in the treatments without a threshold or with a low threshold, but in the partner treatments cooperation is lower when the threshold is tough. A statistically significant difference between cooperation in partner and stranger treatments is found for the zero and low thresholds but not for the tough thresholds. Interestingly, in the stranger treatment with the toughest threshold, cooperation rates increase towards the final period and reach their maximum in the last period.

Preference for the size of ambiguous jar

Presenter:

Erkut Ozbay, University of Maryland

Co-authors:

Emel Filiz-Ozbay, Yusufcan Masatlioglu

Abstract:

We report experimental results showing that subjects have persistent preferences over the size of a jar when the distribution of beads in the jars is ambiguous. Subjects tend to choose to bet on jars with a larger number of beads. Further we show that the result is robust when we control for ratio bias for even chances. None of the ambiguity models are tailored to address such preferences directly. We argue how the existing models of ambiguity can be modified to capture our findings.

Entitlements and loyalty in groups: an experimental study

Presenter:

Fabian Paetzel, Helmut Schmidt University, Hamburg

Co-authors:

Rupert Sausgruber

Abstract:

We study loyalty in groups that are exogenously assigned on the basis of members' performance in a task. We observe that the in-group bias is strong and significant among subjects who score high in performance, and that it is weak and insignificant among those who score low. This asymmetric pattern is mirrored in the punishment of disloyal subjects within groups. The results are consistent with an explanation according to which fairness judgments depend on entitlement considerations and provide a new perspective to the theory and empirical research showing that group loyalty increases with the status of the group.

Gender effects in a third-party punishment game

Presenter:

Paola Paiardini, University of Birmingham

Co-authors:

Daniela Di Cagno, Michalis Drouvelis

Abstract:

There is an extensive experimental literature on third-party punishment, which documents how individuals are willing to bear a cost to sanction selfish behaviours, even if their payoff is not directly affected by the defector's decision. Costly third-party punishment has been considered of critical importance in maintaining cooperation and social order (Fehr and Fischbacher, 2004; Henrich et al.,2006; Buckholtz and Marois, 2012). However, we know little on how third-party sanctioning is affected by gender. We test whether strong reciprocity (as measured by sanctioning behaviour of third-parties) is sensitive to the gender composition of the group. We conduct three treatments of a social dilemma game with a third party punisher. In one treatment the gender composition of the group is random, whereas in the other two treatments subjects are either all females or all males. Our results show that the way subjects use punishment is sensitive to gender.

Cognitive ability, strategic reasoning and other-regarding preferences: a field experiment

Presenter:

Francesca Pancotto, University of Modena and Reggio Emilia

Co-authors:

Francesco Codeluppi, Simone Righi

Abstract:

This paper studies the relationship between measures of cognitive abilities and other-regarding preferences. We use two scales to measure cognitive abilities: strategic reasoning and cognitive reflection. The depth of strategic reasoning is assessed collecting data on a guessing game (Nagel1995) on two levels, the actual choice and the declared motivation of the choice. For the actual choice, subjects choose a number between 0 and 100, knowing that the winner of the game would be the subject that would come closer to 2/3 of the average of the choice of the other three components of the group. Then, after making their own choice, subjects are asked to provide on a sheet of paper, the motivation of the choice, a strategy, a rule of thumb or a reasoning procedure thanks to which they made their choice. The first part of the assessment - the actual choice game - is economically incentivized while the second is not. Cognitive reflection is measured with an extended and improved Frederick's CRT based on Primi et al. (2015). This extended version overcomes important limitations of the original version. First of all, new items are proposed. These are easier to understand, overcoming the intrinsic limit of the original test: the difficulty of the items present limit the reliability of the results for participants with lower education. Second, the eight items extended scale (rather than 3) permits to construct a wider scale of responses upon which classifying the observed population rather than dividing them in two groups, those selecting the correct and the not correct answer, typically strongly skewed in favor of the latter. Finally, the test is very popular and the solutions are easily available in the web: the new items eliminate false positive answers due to informed participants who already know the results. Other regarding preferences are measured with a four-person dictator game along the lines of Engelmann and Strobel. We propose alternative allocations of the same income among four participants randomly selected in the session: the alternative allocations are characterized by the elimination the efficiency motivation that is not object of the present study and retaining other motivations, namely: other regarding and minimax preferences tested against self-regarding preferences. The experiment is run as a lab in the field experiment with experimental subjects randomly drawn from the general population Sessions were run in three different locations in Emilia Romagna, namely Mirandola, Vignola and Reggio Emilia, in the city hall offices, from November 2015 to may 2016. Sessions were composed of 16 participants with randomly formed groups of four participants, which were reshuffled when the second game - the dictator game - was proposed. Preliminary results show a relationship existing between the level of strategic sophistication and the choice of other-regarding preference.

Save the planet or close your eyes? Environmentally friendly behaviour, uncertainty and social interaction

Presenter:

Anna Pauls, University of Oslo

Co-authors:

Jo Thori Lind, Karine Nyborg

Abstract:

Our lab experiment tests for strategic ignorance about the environmental consequences of one's actions. In a binary dictator situation based on the design by Dana, Weber & Kuang (2007), we test whether the option to remain ignorant about the receiver's payoffs reduces generosity. Our receiver is a charity that engages in carbon offset. Contrary to previous findings by Dana et al. (2007) and replications, the option to remain ignorant does not decrease generosity. Only 22% of dictators choose ignorance. We test social interaction by allowing another subject to force the dictator to learn the receiver's payoff, and by allowing the dictator to sanction that subject. When information can be imposed by another subject, almost all dictators choose information themselves, but this does not increase generosity. The possibility of sanctions does not discourage subjects from providing information to dictators.

Responding to (un)reasonable requests

Presenter:

Vittorio Pelligra, University of Cagliari

Co-authors:

Tommaso Reggiani, Daniel John Zizzo

Abstract:

We consider the notions of static and dynamic reasonableness of requests in a trust game experiment. We vary systematically the experimental norm of what is expected from trustees to return to trustors, both in terms of level of each request and in terms of sequence of the requests. Static reasonableness matters in a self-biased way, in the sense that low requests justify returning less but high requests tend to be ignored. Dynamic reasonableness also matters, in the sense that if requests keep increasing, trustees return less than if requests of different size are presented in random or decreasing order. Requests never systematically increase trustworthiness, but may decrease it.

A wolf in sheep's clothing? How affirmative action distorts the assessment of peers' work

Presenter:

Lea Petters, University of Cologne

Co-authors:

Marina Schröder

Abstract:

Quotas are an established instrument of affirmative action aimed at reducing discrimination. In addition to the direct and desired effects, the introduction of quotas may also affect sabotage activities in a competitive environment. We introduce a novel experimental design, in which four participants are randomly assigned to one of two types. These four participants (two yellow and two green) compete for two prizes. The two winners of the prizes are determined through a peer review process, in which competitors evaluate each other's performance in a previous real-effort task. Sabotage is possible by giving peer reviews that are below the actual quality of performance. In two treatments, we vary whether a quota is implemented or not. In the baseline treatment, the two participants with the highest peer reviews receive the prizes, independent of their type. In the quota treatment, at least one of the two prizes has to be awarded to a participant of the advantaged type. In both treatments, we find significant evidence for sabotage, i.e., subjects strategically distort the assessment of peers' work in order to increase their own chances of winning. Comparing treatments, we find that the introduction of a quota has significant effects on the level and the targets of sabotage behavior. For types that are advantaged by the quota, we find no significant treatment difference in the overall amount of sabotage activity. However, we find that advantaged types direct a significantly higher fraction of their sabotage activities towards the other advantaged peer and less towards peers who are disadvantaged by the introduction of the quota. Disadvantaged types sabotage more when a quota is implemented and sabotage is equally targeted at both types. Sabotage behavior of the disadvantaged types is highly correlated with perceived fairness with respect to the experimental procedure. Overall, the introduction of a quota results in a significant increase in sabotage activities, especially in sabotage targeted at individuals who are advantaged by the introduction of the quota.

Sustaining tax compliance by signalling cooperation

Presenter:

Antonios Proestakis, Joint Research Centre, European Commission

Co-authors:

Filippos Exadaktylos, Antonio Espin

Abstract:

Evidence in experimental Public Goods Games has shown that contributions in the first rounds are "irrationally" high, while cooperation in the course of the experiment fades as conditional co-operators are realizing that their anonymous contributions will never be paid back or acknowledged. In a tax-framed binary-choice Public Goods experiment with photos display, we give the opportunity to co-operators to voluntary reveal their cooperative decisions to other participants and tax authorities, facilitating in his way the tax auditing process by minimizing the set of potential tax evaders. We find that positive signals attract even more contributors in the beginning of the game who achieved an average of 80% cooperation for 30 consecutive rounds and eliminated any ending-game effect. We argue that real life local networks can function as guards of this mechanism by monitoring out free-riders who will potentially try to give "fake" positive signals.

Group vs. individual contributions to a public good: evidence from a framed field experiment

Presenter:

Gert Pönitzsch, Heidelberg University

Co-authors:

Abstract:

Contributions to public goods are often made by groups rather than individuals. For example, families decide jointly on their vacations, management boards decide about mitigating emissions, and voters decide on environmental policies. We analyze group decisions and contrast them to individual decisions using a large online experiment. Participants decide about contributions to the public good of climate change mitigation. They do so either individually or in groups. Groups use majority voting or a random dictator mechanism to determine contributions of its members. We find that contributions are higher if choices are made in groups. In addition, subjects take preferences of other group members into account and tend to less extreme choices in group decisions - even if individual preferences are aggregated into group choice via voting.

Stay, surf or go? Real effort adjustments at the extensive and intensive margin

Presenter:

Jonas Radbruch, University of Bonn and IZA

Co-authors:

Sebastian J. Goerg, Sebastian Kube

Abstract:

A central topic in behavioral personnel economics is the controlled performance assessment of incentive contracts. Our study focuses on the interaction of incentive contracts and work conditions - and how to evaluate those in laboratory experiments. To this end, we compare workers' performance in a real-effort experiment with monotone (piece-rate) and non-monotone (fixed bonus) incentive schemes under three different experimental procedures – flexible, fixed and internet time. In the fixed-time condition, subjects show up for a particular time slot. They then have to work on the real-effort task for a fixed amount of time and are only paid at the end of the time slot, which implies that they cannot leave early. In the internet condition, instead of working on the task subjects can surf on the internet. In the flexible-time condition, subjects are free to choose when to start and to stop working on the task. We find that subjects' performance in the fixed-time design does not react to our incentive schemes, while it does react under the flexible-time and internet condition. This difference is driven primarily by a change in behavior under the non-monotone incentive schemes and a low piece-rate: subjects accomplish significantly less, if the design allows for effort adjustments at the extensive effort margin. For a high piece-rate incentive scheme, we do not observe performance differences between time conditions.

The unrealized value of centralization for coordination

Presenter:

Eva Ranehill, University of Zurich

Co-authors:

Frederic Schneider, Roberto Weber

Abstract:

The development of conventions and routines between organizational members often aids interaction and efficient coordination. In many contexts, the development of homogeneous efficient conventions can be aided by centralization and hierarchy. We use a laboratory experiment to study a context in which individuals voluntarily decide whether to interact, where profitable interaction requires developing conventions, and where efficiency obtains when all organizational members have access to a common convention. We show that centralized strategies, in which one member serves an implicit leadership function in shaping conventions, greatly facilitates the acquisition of homogeneous conventions in this setting. However, subjects rarely rely on centralization and hierarchy, even when we make it very easy to do so. Moreover, subjects regularly forgo potentially profitable interactions. In a further experiment, we show that even experienced managers find it difficult to efficiently centralize coordination. We conclude that many people may be unaware of the benefits of centralization for aiding coordination and efficiency in organizations.

Reciprocity under moral wiggle room: is it a preference or a constraint?

Presenter:

Tobias Regner, University of Jena

Abstract:

We analyze reciprocal behavior when moral wiggle room exists. Dana et al. (2007) show that giving in a dictator game is only partly due to references as the giving rate drops when situational excuses for selfish behavior are provided. Our mini trust game closely follows their design. Only a receding stage (safe outside option vs. enter the game) is added in order to introduce reciprocity. We find significantly higher rates of selfish choices in our treatments that feature moral wiggle room manipulations (between 37.5% and 45%) in comparison to the baseline (6.25%). It seems that the preference to reciprocate is also affected by the availability of situational excuses, just as the preference to give. We conclude that reciprocal behavior is not only due to people liking to reciprocate but also because they feel obliged to do so.

Performance, luck and inequality: an experimental investigation of fairness preferences under uncertainty

Presenter:

Bjørn-Atle Reme, Norwegian School of Economics

Co-authors:

Alexander W. Cappelen, Johanna Mollerstrom, Bertil Tungodden

Abstract:

Long abstract The aversion to incidental inequality is well established in the literature on social preferences. Several studies also show how inequality acceptance increases when outcomes are determined by controllable factors, such as effort, performance or individual choices. Although these are important insights into the preference for redistribution, they leave out an aspect which is characteristic to many real-life situations: there is uncertainty regarding whether an outcome was caused by skill or luck. This study reports from a laboratory experiment designed to investigate inequality acceptance and preference for redistribution when there is uncertainty about the cause of inequality. The experiment has several treatments, across which we vary the probability that inequality was due to performance. Short description of study design: The experiment had 3 parts. Part 1: Math task All participants were paired and given a task: solve as many math tasks as possible in 5 minutes. They were told that how many tasks they solved correctly could influence their earnings in the experiment. Part 2: Outcomes determined In each pair one participant received 20 points, while the other received 0. Which participant received 20 points was either determined by skill (best performance in Phase 1) or luck (random draw). Each pair was randomized into 1 of 7 treatments. The treatments varied with respect to the probability that the outcome was determined by the performance in part 1. Phase 3: Redistribution A spectator with no stake in the outcomes was given the opportunity to redistribute earnings between a pair of participants. The spectator knew the outcomes (who received 20 points and who received 0 points) and the probability that the outcome was determined by performance, BUT she had no knowledge whether the outcome was due to performance or pure luck. Preliminary results The study has 2 main findings. First, inequality acceptance is highly sensitive to the degree of uncertainty regarding the cause of an outcome. Moreover, participants exhibit a strong increase in the preference for equality when introducing uncertainty. In the paper we show that this finding is consistent with a utility function (loss function) which is convex in devations from what is considered the fair outcome. Second, although underpowered, we quite surprisingly find no support for overweighting of small probabilities. The study was partly motivated by previous findings on how small probabilities are overweighted. Our hypothesis was that a small probability (1 percent) that an outcome was caused by performance would have a “overproportional” effect on the degree of redistribution relative to a situation where outcomes where determined by pure luck. We find no evidence of such an effect.

Measuring experimenter demand

Presenter:

Christopher Roth, University of Oxford

Co-authors:

Jonathan de Quidt, Johannes Haushofer

Abstract:

Experimenter demand effects pose an important challenge to understand and interpret results from laboratory and field studies. In this paper, we manipulate participants' beliefs about the intentions and desires of the experimenters. In particular, we are interested in how far people's behavior in economic games is elastic experimenter demand. Our estimates in turn provide us with an upper bound for the importance of experimenter demand effects for experimental economics and experimental psychology. Subsequently, we examine whether demand is stronger for different standard preference measures and also investigate whether incentives mitigate experimenter demand effects. We also propose a methodology to bound treatment effects based on our estimates for experimenter demand. Finally, we also conduct experiments in which we merely reveal the experimenters' hypotheses to the subjects and analyze whether and how this affects the participants' behavior in standard preference measures.

Decision mode: the hidden cost of poking

Presenter:

Helene Lie Røhr, BI Norwegian Business School

Co-authors:

Bjørn-Atle Reme, Morten Sæthre

Abstract:

Firms spend substantial resources on retaining customers and increase loyalty. Such activities often involve firms proactive contacting customers to offer special discounts or guide them to a better customer experience. From the point of view of standard economic theory, lower prices or higher experienced product quality should, if anything, lead to higher customer loyalty. However, there is evidence that well-intended and seemingly good churn prevention activities can increase churn. We first run an experiment to investigate a mechanism through which this may happen: poking a customer may reopen an otherwise closed decision of service provider by making customers engaged. In the experiment, we operationalize this by varying the degree to which the participants have to make active choices. We find that the subjects who make choices more actively are also more prone to try new alternatives compared to the control group. The effect is persistent, and not only applicable in the treated round. On average treated subjects are worse off by not renewing their previous choice. This result shows that firms' proactive actions towards current customers in itself may ``awaken them from sleep'' and increase customers' propensity to churn. Finally, we study a real world example of a mobile operator poking a large set of their customers by moving them over to new price plans. Using a 24-month panel of more than 300 000 individuals, we study how changes in prices cause consumers to churn. Our data contain billing and usage data for almost one year prior to the migration and one year after. The data allow us to estimate how much better or worse off the customers were by being moved to the new price plan. Hence, we are able to identify the ``poking effect'': the increase in churn which is not due to how much better or worse off the customers are, but stem from being ``awoken from sleep'' and put in ``decision mode''.

Gender dynamics in referral-based hiring: a field experiment

Presenter:

Anna Sandberg, Stockholm University

Co-authors:

Karin Hederos Eriksson, Lukas Kvissberg, Erik Polano

Abstract:

We explore gender dynamics in referral-based hiring, using a field experiment at one of Europe's leading business schools. In the experiment, 428 students are asked to refer another student at the school for a part-time job. We find strong evidence of same-gender bias in referrals among both male and female students. While the overall gender distribution of students at the school is fairly equal, 74 percent of male students refer another man and 71 percent of female students refer another woman. Roughly half of this same-gender bias can be accounted for by gender differences in social network composition at the school. These results are robust across different jobs with varying gender stereotypicality.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

An experimental investigation of simultaneous multi-battle contests with strategic complementarities

Presenter:

Sudipta Sarangi, Virginia Tech

Co-authors:

Cary Deck

Abstract:

This paper reports the results of laboratory experiments that are designed to test theoretical predictions in a multi-battle contest with complementarities. The specific setting is a game of Hex where control of each region is determined by a Tullock contest and the overall winner is determined by the combination of claimed regions. We find that in a game with only a few regions, aggregate behavior across regions is largely consistent with the theoretical predictions. However, examining individual level behavior suggests that bidders are not behaving in accordance with the model, but often pursue focused attacks. This intuitive behavioral approach is also found to occur in larger games where the theory is undeveloped.

Cooperation, punishment and organized crime: a lab-in-the-field experiment in Southern Italy

Presenter:

Patrizia Sbriglia, University of Naples II

Abstract:

This paper reports the results of an experimental investigation which allows a deeper insight into the nature of social preferences amongst organized criminals and how these differ from “ordinary” criminals on the one hand and from the non-criminal population in the same area on the other. We provide experimental evidence on cooperation and response to sanctions by running Prisoner’s Dilemma and Third Party Punishment games on three different pools of subjects; students, ‘Ordinary Criminals’ and Camorristi (Neapolitan ‘Mafiosi’). The latter two groups being recruited within prisons. We are thus able to separately identify ‘Prison’ and ’Camorra’ effects. Camorra prisoners show high level of cooperativeness and strong punishing behavior, as well as a strong rejection of the imposition of external rules even at significant cost to themselves. In contrast, ordinary criminals behave in a much more opportunistic fashion, displaying lower levels of cooperation and, in the Game with Third Party punishment, punishing less as well as tending to punish cooperation (almost as much) as defection. Our econometric analyses further enriches the analysis demonstrating that the individual’s locus of control (self-determination) and reciprocity serve different purposes according to the specific sample under investigation. Indeed, a strong sense of self-determination and reciprocity imply a higher propensity to cooperate and to punish for both students and Camorra inmates, but quite the opposite for ordinary prisoners, further reinforcing the contrast between the behavior of Ordinary prisoners and the strong internal mores of Camorra clans.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Peer evaluation and compensation schemes in a real effort experiment

Presenter:

Sebastian Schaube, University of Bonn

Abstract:

Peer evaluations are frequently used if an employee's performance is hard or even impossible to observe by a principal. If, however, the evaluating peer is in direct competition with the evaluated peer for bonuses or promotions, incentives for truthful reporting might be reduced.In this paper I analyze such situations theoretically and empirically using a laboratory experiment to explore to what extent team incentives and thereby reciprocity can encourage truthful evaluations. The laboratory experiment uses a real effort task and a rank-order tournament, where the prizes are distributed on basis of the mutual evaluations of the tournament participants. I find that the answer to the question depends on whether the participants i) can evaluate their peers individually or ii) have to rank them. Truthful rankings occur more frequently in the latter case, where any untruthful evaluation implies rewarding a peer for lower performance. By contrast, individual evaluations are less likely to reward agents for high efforts, as few positive evaluations are given. If team incentives are removed the frequency of truthful evaluations drops even further, irrespective of the particular evaluation mechanism, rendering the results of the tournament basically meaningless.

How to choose a leader - legitimacy in the lab

Presenter:

Martin Scheuermann, RWTH Aachen University

Co-authors:

Özgür Gürerk, Thomas Lauer

Abstract:

We study the role of legitimation of leadership in a public goods experiment. While previous methods proofed successful in increasing cooperation in groups with a leader, they come with a major drawback – in most cases, groups ended up without a leader. Varying the available information and the source of legitimation (external or internal), we look at different mechanisms which ensure the presence of a leader in every group. Independent of the legitimation, having a leader results in higher contributions compared to a no leader setting. We also find groups with a pro social leader to perform much better than groups with a selfish leader.

Welfare stigma in the lab

Presenter:

Renke Schmacker, German Institute for Economic Research Berlin (DIW)

Co-authors:

Jana Friedrichsen, Tobias Koenig

Abstract:

Despite its importance in theoretical work on welfare take-up, empirical evidence for welfare stigma is relatively scarce. We conduct a laboratory experiment that aims to explore if welfare stigma exists and through which channels it emerges. Therefore, we vary the visibility of taking up a redistributive transfer: either claimants have to stand up and are visible for other participants or they can remain anonymous. Transfer eligibility is based on income rank in groups of three. Income rank is determined either randomly or depends on relative performance in a knowledge quiz. Although the transfer increases payout by 50 percent, making the take-up decision visible reduces take-up by more than 20 percentage points. This eff ect is more pronounced when rank is based on quiz, indicating the importance of ability signaling. However, elicitation of political preferences via random dictator reveals that only 39 percent of "taxpayers" want the claimant to be publicly exposed.

Testing different cardinal matching mechanisms in the field

Presenter:

Felix Schmidt, Gutenberg-University Mainz

Co-authors:

Alexander Nesterov

Abstract:

The first aim of our study is to test our new developed serial lottery matching mechanism (SL) in the field by assigning 364 bachelor students exposé topics based on their stated preferences. The second important contribution is the comparison of SL with alternative matching mechanisms typically used in a university setting: the pseudo-auction mechanism (PA) and the pseudo-market mechanism (PM). We analyze and compare the properties of SL in terms of truth telling rates (meaning that students state their true preferences) and in terms of efficiency (how well the assignment reflects the true preferences). Furthermore, we test if SL can be welfare enhancing compared to the situation in which only ordinal preferences are reported. Our hypothesis is that SL can welfare dominate ordinal matchings mechanism (as the serial lottery mechanism) in cases when individuals are very different in their cardinal preferences, while their ordinal preferences are strongly correlated.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Reversal of preferences for attractiveness: do women respond the same way as men? Of course not

Presenter:

Arthur Schneider, Trinity College

Co-authors:

Georgios Papadeas, Evan Abraham, Connor Sullivan

Abstract:

Rational decision-making implies logical consistent preferences, independent of irrelevant options. In this study we investigate whether the insertion of an inferior option can reverse choice. We implemented a within-subject design in which 306 participants were asked to rate faces of the chosen gender for attractiveness. One picture of an average looking person was shown twice: initially, following five attractive faces and then again following five unattractive faces. We find that the participants who chose to rate female faces reversed their choice, while participants who chose to rate male faces did not. Assuming that the vast majority of our participants chose to rate faces of the opposite gender, we find clear evidence of a gender bias. It appears that when it comes to attractiveness, men are susceptible to the choice reversal, while women are not.

Unemployment, precautionary savings, and loss aversion. An empirical test

Presenter:

Sebastian Schneider, University of Goettingen

Co-authors:

Marcela Ibanez, Sonia Trivago

Abstract:

This paper tests the predictions of the intertemporal choice model by Koszegi and Rabin (2009). According to this model, uncertainty about future income can result in a precautionary motive for savings that is positively correlated with loss aversion. We focus on financial decisions of the poor and interviewed a representative sample of more than 1200 individuals of the low-income population in Bogotá. Loss aversion of the same sample was elicited experimentally using the non-parametric elicitation method by Abdellaoui, Bleichrodt and Paraschiv (2007). Consistent with the predictions of the model, our results show that income uncertainty, measured as the expected unemployment rate of the sector in which the individual is employed, is related to an increase in liquid savings. This precautionary motive for saving is particularly high among loss averse individuals.

Measuring ambiguity preferences: a new ambiguity preference module

Presenter:

David Schroeder, University of London, Birkbeck

Co-authors:

Elisa Cavatorta

Abstract:

Ambiguity preferences are important to explain human decision-making in many areas in economics and finance. To measure individual ambiguity preferences, the experimental economics literature advocates using incentivized laboratory experiments. Yet, laboratory experiments are costly and require a lot of time and administrative effort. This study develops an ambiguity preference survey module that can reliably measure ambiguity preferences when carrying out laboratory experiments is impractical, such as in large scale surveys or field studies.

I lie? We lie! Why? Experimental evidence on a dishonesty shift in groups

Presenter:

Simeon Schudy, University of Munich

Co-authors:

Martin Kocher, Lisa Spantig

Abstract:

Groups and organizations sometimes fail to comply with a moral norm. They lie, they cheat, they are dishonest, they are corrupt, and they commit fraud. However, it is not organizations that take those decisions; it is individuals that are part of the organization. Recent experimental evidence suggests that groups tend to lie more than individuals. This paper asks how the individual decision to be (dis)honest translates into the group context. Do groups lie more because they "need to" cooperate due to payoff commonalities? Do dishonest groups consist of more (dis)honest individuals? Or does communication in groups suffice to change beliefs in others' (dis)honesty and thereby causes (dis)honest behavior? Our experimental setup excludes several likely reasons for increased lying in groups (such as better understanding of lying possibilities, eased disguise of lying in groups or other-regarding concerns) and tests specifically whether payoff commonalities among group members or communication increases dishonesty. We find that, compared to individual lying, the inclination to behave dishonestly is strongly increased by an anonymous group interaction (chat), even when payoff commonalities are absent. It is indeed the exchange of arguments and justifications (i.e. communication) that enables group members to coordinate on dishonest actions and establish new norms regarding immoral behavior.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

One-sided legalization of moonlighting

Presenter:

Simeon Schudy, University of Munich

Co-authors:

Patrick Trabert

Abstract:

Illegal moonlighting (i.e. tax evasion in cash in hand jobs) detains a significant share of public income. Effective measures to reduce the extent of illegal moonlighting are missing. This paper argues that one-sided legalization can help to reduce illegal moonlighting. We model illegal moonlighting as a sequential game. First, a principal and an agent unanimously decide whether or not to engage in an illegal moonlighting act or opt for a formal contract that involves some tax payments. If both opt for the illegal act, the agent choses high or low effort for the principal and, subsequently, the principal choses to pay either a high or low monetary payment to the agent. After the transaction, both have the possibility to report the illegal act. We calibrate the parameters of the game such that the legal contract is the dominant choice for a rational expected utility maximizer and study in a laboratory experiment whether moonlighting occurs when, both, the principal's and the agent's act are considered as illegal. In additional treatments we show that one-sided legalization of the principal's act significantly reduces the willingness to engage in moonlighting activities as it creates a stronger imbalance between the trading partners' bargaining power. Legalizing the agent is not effective.

Concentration bias in intertemporal choice

Presenter:

Frederik Schwerter, University of Cologne

Co-authors:

Holger Gerhardt, Louis Strang

Abstract:

We present novel results on individuals' intertemporal choices that cannot be explained by exponential and hyperbolic discounting, the canonical approaches to intertemporal decision making in economics. In particular, we provide causal evidence from novel lab experiments that intertemporal choices are systematically affected by whether consequences of intertemporal choice are concentrated in few or dispersed over multiple periods: (i) Individuals are less patient in the case that the advantages of patient behavior are dispersed over many future periods than when they are concentrated in a single future period. (ii) Individuals are more patient in the case that the disadvantages of patient behavior are dispersed over multiple earlier periods than when they are concentrated in a single earlier period. Both findings demonstrate concentration bias in individuals' intertemporal choices. Our results are in line with the recent theoretical model of Koszegi and Szeidl (QJE2013). Despite the prevalence of dispersed payoffs and costs in everyday life, no empirical study so far has investigated whether spreading payments over time causally impacts discounting. Our results suggest that previous studies may have neglected an important channel that influences intertemporal decisions.

Myopic loss aversion, the endowment effect for risk and expectation-based reference-dependent preferences

Presenter:

Julien Senn, University of Zurich

Abstract:

Myopic loss aversion is built upon two behavioral theories: loss aversion and mental accounting. While the literature has generated many empirically interesting results, its lack of formalism renders the experimental evidence difficult to interpret. I show that the model of reference dependent preferences with loss aversion advocated by Köszegi and Rabin (2006, 2007) can rationalize myopic loss aversion: an agent's willingness to take risks is larger prior to the realization of a background risk than after it. Their model also predicts an endowment effect for risk, i.e. that an agent's willingness to take risks prior to the realization of a background risk increases in the amount of background risk. These predictions hold independently of the domain of the background risk. In a tight experimental setup, I investigate these predictions both in the presence of a negative and a positive background risk. While the predictions of the model cannot be rejected in the case of a positive background risk, they are unambiguously rejected in the case of a negative background risk. These results, although encouraging, suggest that expectations alone cannot rationalize decision under risk.

How to improve truthful reporting in emissions trading schemes: rotating both verifier and regulator

Presenter:

Peiyao Shen, School of Entrepreneurship and Management, Shanghai Tech University

Co-authors:

Andreas Ortmann, Regina Betz

Abstract:

We consider a two-layered monitoring system in environmental regulations where a polluting firm will self-report its emissions to a regulator. The monitoring system typically requires an independent verifier to verify the firm's report and in addition a regulator to implement a random check. Given the high-stakes involved in such situations, both the verifier and the regulator might be corruptible, especially in repeated-game situations. The literature of corruption experiments suggests that interference with repeated-game interactions between corrupt individuals has an effective anti-corruption effect. We examine the problem of untruthful reporting in an emissions trading scheme where both the verifier and the regulator are corruptible, a situation that has not been analysed in the literature (but is of some relevance in real markets). Our test-bed is a three-player bribery game. We study how staff-rotation impacts the degree of untruthful reporting and the incidence and severity of corruptibility in a baseline of fixed matching and three staff-rotation treatments (verifier, regulator and both). Our findings suggest that rotating the regulator has an anti-corruption effect, which reduces the incidence and the level of untruthful reporting, but rotating the verifier barely has an effect.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The demand and supply for esteem: an experimental analysis

Presenter:

Hugh Sibly, University of Tasmania

Co-authors:

Paul Blacklow, Amy Beth Corman

Abstract:

It has been argued that people value receiving esteem from others. If this is so, they may modify their behaviour in order to obtain it. In this case, how precisely do people value esteem, and are they willing to undertake costly actions simply to acquire it? Little is known experimentally of the exact way people give and seek esteem. In this paper present a theoretical model esteem seeking and then use a novel experiment to uncover these properties. The within-subject experiment was conducted in five stages. In each stages participants undertook a real effort task. Participants are paid with a piece rate for the real effort (the slider task, Gill and Prowse, 2012). However, after completion of the real effort task, participants are given the opportunity to purchase credits. The credits increase the participants score and reduce their income as follows: Score = the number of sliders correctly placed + any credits bought Payment = the number of sliders correctly placed - any credits bought Only the participant's score is reported to other participants. Other participants provide feedback on the participant's score on a Likert scale ranging from very bad to very good. We find that participants who demonstrate a low effort are more likely to purchase credits. But, given credits are purchased, the number of credits purchased increases with participant effort. Positive feedback (which can be thought of as esteem) is correlated with the participants score. The findings are consistent with the hypothesis that people undertake costly actions to obtain positive esteem. Further, participants purchase more credits when matched with a low scoring participant. This is consistent with participants wanting strong positive feedback.

Social change and the conformity trap

Presenter:

Simon Siegenthaler, New York University Abu Dhabi

Co-authors:

James Andreoni, Nikos Nikiforakis

Abstract:

The ability of societies to adapt to a rapidly changing world is critical for the welfare of their members. A major obstacle in understanding social change is that it is usually difficult to determine when change would be beneficial. We address this problem by presenting evidence from a new laboratory experiment. We show that socially beneficial change may not occur even when it is common knowledge that group members' incentives are fully aligned. The reason is the costs to non-conformity which are higher for instigators of change, providing incentives for individuals to wait until someone else initiates the change - a phenomenon we term the conformity trap. We explore behavior in a variety of treatments allowing members to determine the punishment to nonconformists, voice their opinions in polls, and explore factors that may facilitate social change such as reducing the costs to non-conformity, increasing the returns to change, and the speed of feedback about the actions of others. We also investigate the characteristics of individuals willing to instigate social change.

Group behaviour in tacit coordination games with focal points. An experimental investigation

Presenter:

Stefania Sitzia, University of East Anglia

Co-authors:

Jiwei Zheng

Abstract:

This paper reports an experimental investigation on coordination games with payoff-irrelevant cues where players are groups of two indi- viduals. Our results show that groups choose signi cantly more often than individuals the salient strategy. Groups are also better at coordi- nating when interests are aligned but coordination decreases when payoff asymmetries are introduced. Finally groups' cognitive ability (and beliefs about cognitive abilities of other players) is higher than that of individ- uals. This type of players, whether individuals or groups, choose the salient strategy signi cantly more often than other players. This leads us to the conclusion that both cognitive ability and beliefs about cognitive abilities are important contributors of coordination success in games with payoff-irrelevant cues.

Honesty and trust in development: behavioral results from Tanzania

Presenter:

Ingrid Hoem Sjursen, Norwegian School of Economics

Co-authors:

Alexander W. Cappelen, Odd-Helge Fjeldstad, Donald Mmari, Bertil Tungodden

Abstract:

Honesty and trust are values fundamental to economic and social development. Empirical studies have identified substantial variation in trust and honesty both across and within countries using survey and experimental data. Knowledge and understanding of the determinants of honesty and trust are of great importance for the design of sound development policies. We contribute to this literature by studying honesty and trust in economic decision-making in, to our knowledge, the first large-scale experiment conducted on a representative population in a developing country. We collect data on behavior using incentivized coin flipping and trust games, and data on beliefs about other people's behavior using non-incentivized survey questions, in a sample of more than 3000 respondents from three regions in Tanzania. Our preliminary analysis shows significant evidence for dishonesty and low levels of trust. Dishonesty and mistrust is particularly prominent in some subgroups. For instance, men and unmarried respondents are both more dishonest and display less trust in fellow citizens than their female and married counterparts, respectively. We also show that trust behavior is strongly correlated with beliefs about other people's trustworthiness.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Inequality acceptance and the relative importance of merit

Presenter:

Siv-Elisabeth Skjelbred, University of Oslo

Co-authors:

Alexander Cappelen, Karl O. Moene, Bertil Tungodden

Abstract:

People's willingness to accept income inequality depends on the source of the inequality. Most people find it fair that inequalities due to luck are eliminated and that inequalities due to merit, reflecting talent and effort, are preserved \citep{Fong:2001,Cappelen:2007,Cappelen:2010}. A person's income is, however, typically a result of both merit and luck and an important question is how people's view of a fair income distribution depends on the relative importance of luck and merit. In this paper we report from an experiment designed to study this question. We conducted a real-effort dictator game, in which 1005 participants recruited through Amazon Mechanical Turk were given the opportunity to redistribute income between a unique pair of workers. The participants were randomized into one of four treatments that only differed with respect to the importance of merit relative to luck in determining income. In the pure luck treatment and the pure merit treatment, income was determined only by luck or only by merit respectively. In the mostly luck treatment and the mostly merit treatment, 90 percent of income was determined by luck or by merit respectively. A key feature of the design is that there is no uncertainty about the relative importance of luck and merit in determining income thus we fix the beliefs about the determinants of income. Another important feature is that inequality is the same across all treatments prior to redistribution. In line with existing literature we find that people are more willing to redistribute when income is determined only by luck than when income is determined only by merit. By comparing the pure luck treatment and the mostly luck treatment we observe that the introduction of a small element of merit results in a large and significant reduction in redistribution. The difference between transfers in the pure luck treatment and the mostly luck treatment constitutes about 77 percent of the difference between transfers in the pure luck treatment and the pure merit treatment. In sum we find that inequality acceptance is more sensitive to the presence of merit than to the relative importance of merit. Our results indicate that people's preferences for income distribution is not fine tuned with respect to the relative importance of merit. Rather, the results indicate that many people treat all distributive decisions in which income inequality to some extent reflects differences in merit in a similar manner. The behavioral pattern documented in this paper can explain why many people seem to find performance based reward schemes fair even in situations in which merit only plays a minor role.

Trusting in an infinitely repeated trust game

Presenter:

Andis Sofianos, University of Warwick

Abstract:

The link between declared trusting attitudes and trust choices in an infinitely repeated trust game with hidden action is investigated, after controlling for subjective beliefs. It is found that intrinsic trust influences the probability of trusting in a trust game. Moreover, intrinsic trust seems to operate through the fact that more trusting individuals are more likely to forgive or offer the benefit of doubt to others and show trust even after a disappointing outcome. The effect of intrinsic trust appears to be independent of the formation of beliefs. Interestingly, the intrinsic trust effect appears comparable to the more standard for economics measure of risk preferences.

Separating miscalibration from informational confidence

Presenter:

Doron Sonsino, The College of Management, Israel

Co-authors:

Amir Levkowitz

Abstract:

We introduce a direct method to measure the confidence of potential investors in their point-predictions of future returns (“informational confidence”). Finance students and traders recruited in financial Web forums (N=97) were instructed to submit point predictions for the six months future return (r) of a leading stock and then assess the likelihood that the uncertain future return would be higher than (r plus some constant k1) or smaller than (r minus constant k2), for given increments k1 and k2. In the task with k1=k2=5%, for instance, subjects that provided a point estimate of 10%, assessed the probability that the return would be higher than 15% (PH) or lower than 5% (PL). The differences 1-PH-PL were used to represent the confidence that subjects assign to eventual returns that lie within +5% or -5% from their subjective point predictions. The questionnaires, including 3 such triplets of point prediction and tail-events likelihood assessment tasks, were distributed as take-homes and subjects could deliberate their predictions freely before submitting the completed forms. The tasks were incentivized using binarized scoring rules to diminish the bias that standard incentive schemes may induce, and one of the 9 tasks was randomly drawn to determine the eventual participation fees. The results first directly confirmed the tendency of investors for overprecision or miscalibration, as the likelihood that subjects assigned to intervals of fixed length around their point predictions was 2-3 times larger than the actual calibration rates in all 3 tasks. In the tasks with k1=k2=5%, for example, the mean confidence level was 37% compared to actual calibration rate of 15.5%. More interestingly, the correlation between individual confidence levels and actual calibration rates (averaged across the 3 tasks) was close to zero, suggesting that miscalibration or overprecision should be separated from informational confidence. In the tasks with k1=k2=5%, for instance, the mean confidence level was 38% for the miscalibrated subjects compared to 33% for the calibrated subjects (p>0.6 by Pitman test). The distinction between informational confidence per se and tendency for overprecision or miscalibration is further explored in subsequent experiments.

Leader punishment, norm enforcement and preferential treatment of family members

Presenter:

Ivo Steimanis, Philipps University Marburg

Co-authors:

Esther Blanco, Fabian Petutschnig, Sebastian Prediger, Björn Vollan

Abstract:

Social norms and leadership structures are two of the success factors for the self-governance of natural resources. However, it has been frequently stressed that local elites may be corrupt, nepotistic and thereby not acting in the interest of their community. The aim of this paper is to establish experimental evidence on the nepotistic use of punishment of democratically elected and traditional leaders in rural Namibia. The experimental set-up consists of a one-shot binary trust game between two villagers and a third party punishment option that a leader can exercise. The experimental design includes two novel components. First, the third-party is either the traditional leader or the democratic authority in the village. Second, the two villagers playing the trust game and the leader are aware of the other player's relationship to the leader (i.e. whether they are family members of the leader). Villagers are also informed that a certain leader (name and position) will observe their relationship status and their actions and can reduce their earnings. Preliminary results show that traditional leaders are less nepotistic. We discuss these results based on additional surveys and qualitative data gathered in the field.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

It pays to be nice: partner choice as a punishment device

Presenter:

Eirik Strømland, University of Bergen

Co-authors:

Nina Serdarevic, Sigve Tjøtta

Abstract:

Does it pay to be nice? When individuals compete for social partners, a predisposition to cooperate may be a valuable commitment device. In this paper, we experimentally demonstrate that when partner choice is possible, "nice guys finish first". We conduct an experiment in two steps: First, we elicit cooperative dispositions using the strategy method. Second, we randomly assign individuals to a repeated game with either random matching or partner choice. There is asymmetric demand and supply of partners, so one player is excluded from the game in every round. This allows us to test whether partner choice functions as a punishment device. We show that when matching is random, cooperators earn less than selfish individuals. However, when partner choice is possible, cooperators systematically out-earn free riders. Partner choice seems to function as a punishment device, excluding free riders from the game. We believe our findings shed light on why some individuals are intrinsically motivated to cooperate, even when there are no material incentives to do so. In the long run, abstaining from selfishness leads to the very outcome a selfish person desires.

Does making a choice affect belief updating? An experimental study

Presenter:

Chen Sun, Tilburg University

Abstract:

When uncertainty is present, choices are made based on beliefs, but do choices in turn have an effect on belief formation? We perform an experimental study on choice-induced belief change. After presented with noisy signals about the values of two options, subjects are randomly assigned to one of the three treatments: making a choice between the two options, being given a random option, or doing nothing. Then they are presented with more signals and are asked to estimate the values of the two options. We find no significant differences between the distributions of estimates in the three groups, regardless of whether their estimates are incentivized or not. This indicates that choices have no economically meaningful effect on belief updating in our setting.

The provision of transnational and intergenerational public goods

Presenter:

Lea Skræp Svenningsen, University of Copenhagen

Co-authors:

Anna Lou Abatayo, Bo Jellesmark Thorsen

Abstract:

Are individuals more altruistic towards future generations, when altruism improves institutions rather than increasing the endowments of future generations? In this paper, we investigate altruism within an intergenerational public goods game by modifying the game to allow the present generation to affect the future generation in two ways: first, by increasing the future generation's marginal per capita return (Improve Institutions) and second, by increasing the future generation's endowment (Improve Endowments). We run our experiments simultaneously in Denmark, Spain and Ghana. This allowed us to further investigate the effect of group composition on individual behavior. Our results show that there is an effect of introducing a future group. In particular, Danes prefer to improve institutions for the future group whereas Spaniards prefer to improve endowments. Interestingly, the treatment effect is more pronounced in heterogeneous groups.

Social risk preferences: theory and experimental evidence

Presenter:

Erik Ø. Sørensen, Norwegian School of Economics

Co-authors:

Alexander W. Cappelen, Shachar Kariv, Bertil Tungodden, Bill Zame

Abstract:

Public policy is about trading off social risk, that is inequality and efficiency under uncertainty. We present theoretical results showing that under rationality and a weak independence requirement, preferences over private risk and deterministic social tradeoffs pin down preferences over social risk. We test the predictions of the theory in a lab experiment that allows us to test the theory even without parametric assumptions about preferences.

A role for cognitive effort in self-control and intertemporal choice: a new behavioural economics model to incorporate neuroscientific evidence

Presenter:

Lukasz Tanajewski, University of Nottingham

Abstract:

Recent behavioural and neuroscientific evidence suggests that self-control failure comes from unfavourable comparison of cognitive effort cost (registered as activation in dorsolateral prefrontal cortex (dlPFC) in neuroimaging) and self-control benefits. In behavioural economics, the most influential dual-self model involves a game between impulsive selves and a long-run self, which is supported by neural evidence on two competing valuation systems for long-term goals and immediate (impulsive) rewards that play an important role in self-control of impulses. However, some neuroimaging experiments on self-control behaviour suggested that the brain carries a single representation of values which is encoded in ventromedial prefrontal cortex (vmPFC) and that is subject to top-down modulation by the dlPFC, indicating that costly cognitive effort exerted to attend to long-term goals may be critical for self-control of impulses. Other neuroimaging experiment revealed a major role of posterior cingulate cortex (PCC) in automatically assigning value to perceived objects in purchasing decisions. Based on above evidence and employing the concept of regret/rejoice, which is a cognitively based aversive/pleasant emotion coming from comparison of a chosen option with an alternative and regulated to maximize short- and long-term outcomes, a new model incorporating cognitive effort that shapes self-control of impulses is developed. The key model mechanisms are: (1) cognitive effort, improving attention to goal-oriented (rational) values, is exerted to minimize regret (maximise rejoice) from impulses control (PCC automatic values are taken into account when regulating regret), (2) attention, determined by (optimal) cognitive effort, affects how attributes (e.g. health and taste) are weighted in (the vmPFC) decision values calculation of two options (e.g. healthier vs tastier snack), (3) drift-diffusion model is applied to calculate probability of exerting self-control (e.g. choosing the healthier snack), which is determined by comparison of decision values of the two options (e.g. healthier vs tastier snack). Without dual-self game and its complex axiomatizations and extensions, the model explains several experimental findings on self-control in food choice: cognitive load leading to poorer self-control, with stronger effect when more attention to taste was induced (specifying circumstances upon which this effect can be opposite); food intake larger when people were distracted from eating by watching television, listening to a story or music, playing a computer game; better dietary choice when presenting an image of an unhealthy food item paired with a negative picture (e.g. cake and an obese person), compared to those exposed to an image of a healthy alternative paired with a positive picture (e.g. apple and a physically fit and attractive person) and to control group; better dietary choice concerning future consumption, compared to immediate consumption. Also, observed correlations of patience and health behaviour, or outcomes (like body weight), as well as of cognitive abilities or intelligence, and self-control, are in line with the model predictions. Analysing intertemporal choice of monetary rewards as a cognitively demanding task, the model explains why impatience was correlated with dlPFC deactivation and cognitive demand avoidance in neuroimaging and behavioural experiments and associated with poorer cognitive abilities in a large survey, as well as why cognitive load led to more random decisions, as suggested by the analysis of several experiments (specifying circumstances upon which cognitive load should induce

impatience). Also, the model is capable of explaining why more impatience in choice between delayed monetary rewards was induced after looking at attractive opposite-sex faces; this effect was much stronger for men looking at images of women, compared to unattractive opposite-sex faces and to women looking at images of men. This prediction differs from that of dual-system model upon which such external impulses should lead to impatience but not in choice between delayed rewards. Exploring other cognitively demanding tasks, the negative effects of cognitive load on strategic behaviour in games and on risk seeking are captured by the model, predicting also that under cognitive load people are more likely to buy lottery tickets. The simple savings problem is analysed: compared with dual-self model, weaker functional assumptions on utility and discount factor allow to obtain more findings, among others, indicating how wealth, savings return rate and future spending plans may affect the chances for resisting the (given) purchase temptation. Further neuroimaging, behavioural and economic experiments to explore the links between cognitive effort, regret from self-control of impulses, and self-control failure, as well as to test specific model predictions, are discussed.

Keywords: self-control, dietary choice, intertemporal choice, risky decision making, strategic behaviour in games, savings problem, temptation, cognitive effort, regret, self-control costs, cognitive effort costs, cognitive load, cognitive demand avoidance, ventromedial prefrontal cortex, dorsolateral prefrontal cortex, posterior cingulate cortex.

Are people consequentialist in the choice of taxation? A survey study

Presenter:

Benoît Tarroux, University Rennes 1

Abstract:

The aim of this paper is to examine whether or not people are consequentialist in their preference over taxation policies. More precisely, we study a potential trade-off between improvement of the social welfare function (or economic situation of the worst-off individuals, if Rawlsian objective) and progressiveness of the tax schedule. To illustrate that, let consider two possible (labor income) tax schemes A and B: A is not progressive (e.g., average tax rate on middle class is higher than the one the richest individuals face) while B is but A allows a sum of individual utilities to be higher than B -- typically that may be due to incentive constraints. According to the standard optimal taxation theory, A should be judged better than B even if A is not progressive. This view is purely consequentialist since the ranking of situations is only based on the final distribution of incomes ignoring the treatment of taxpayers. To test whether people preferences over taxation policies corresponds to the consequentialist view, we design a survey where respondents are asked to rank different taxation schemes differing in terms of ex post income distribution and shape of the tax schedule. Respondents face this task in two successive contexts (framings): (1) ignoring the tax function; (2) provided with information about the tax rates. The instability of ranking between (1) and (2) indicates how people value progressive taxation. Our results indicates that our participants are not consequentialist in the sense that they are willing to reduce the sum of individual utilities in exchange for a tax function respecting the property of progressivity.

Power networks - a network approach of voting theory

Presenter:

Adam Telek, University of Alicante

Abstract:

In this paper I extend voting theory to electorates where the voters' preferences over candidates are based on their personal ties and not their ideology. I argue that this description fits elections with little electorates, where personal ties are likely to be more important than ideological differences, e.g. municipal or party leadership elections. I build a model where voters are identical except for their interpersonal ties (marriage, friendship, business partnership etc.) and the collection of these ties forms a social network. Tied voters benefit from each other's success -- in the paper this is modeled as income sharing -- and the social network represents the network of interrelated interests. The voters play a citizen-candidate voting game where the voters first decide whether or not to run as a candidate on the election, then they vote sincerely for one of the self-selected candidates. Electoral victory is the ultimate source of political power (in the model: monetary reward) but the benefits of the victory of a candidate spill over and spread in the whole social network along the social ties. Using this model I study the network properties and the social structures that lead to a voting equilibrium. I show that single peaked preferences on line and tree networks are inherent in my model so median voter theorem can be applied, then I define a set of other networks where equilibrium can be guaranteed. I show that in some cases my model performs better in finding the Condorcet winner in a network than two widely used centrality measures, betweenness centrality and eigenvector centrality. Finally I calibrate my model using real data and predict the victory of the Medici family in a medieval power struggle.

JEL classification: D72, D85 Key words: political economy, voting, social networks, citizen-candidate

Cooperation in a risky world

Presenter:

Vincent Theroude, GATE-LSE

Co-authors:

Adam Zylbersztejn

Abstract:

Most laboratory studies of public goods games (PGG) implement non-risky environments: both the Marginal Per Capita Return (MPCR) from the public good and the return of the private consumption are pre-determined and common knowledge. Yet, risk might play an important role in shaping one's decision to cooperate if the the individual determinants of such behavior - social preferences and beliefs about others' contributions - are sensitive to risk. Herein, we study how environmental risk impacts the levels of contribution in a standard PGG. Our design allows us to capture the effect of environmental risk on one's willingness to cooperate and his beliefs about others' cooperation, while controlling for his risk preferences and social value orientation. These data are then used to explain the evolution of group cooperation in three experimental environments: a) a "zero-risk" environment of standard four-person Voluntary Contribution Mechanism, b) a "public-risk" environment in which the MPCR from the public good can take either low or high values with known probabilities, and c) a "private-risk" environment in which the return from private consumption can also take two extreme values with known probabilities.

Does gender-balancing the board reduce firm value?

Presenter:

Karin Thorburn, Norwegian School of Economics

Co-authors:

Espen Eckbo, Knut Nygaard

Abstract:

A board gender quota reduces firm value if it forces the appointment of under-qualified female directors. We examine this costly constraint hypothesis using the natural experiment created by Norway's 2005 board gender-quota law. This law drove the average fraction of female directors from 5% in 2001 to 40% by 2008, producing a large exogenous shock to director experience and independence. However, statistically robust analyses of quota-induced shareholder announcement returns, and of long-run stock and accounting performance, fail to reject the hypothesis of a zero valuation effect of this shock to board composition. Moreover, firms did not expand board size, nor is there significant evidence of quota-induced corporate conversions to a (non-public) legal form exempted from the quota law. Finally, our evidence on female director turnover and a novel network-based measure of director gender power gap also fail to suggest that qualified female directors were in short supply.

Salience in public goods games

Presenter:

Christian Thöni, University of Lausanne

Co-authors:

Su Nanxu, Deborah Kistler

Abstract:

We investigate the effect of salience on contributions in a standard public goods game. Previous research provides evidence, that many people are conditional cooperators (Fischbacher, Gächter & Fehr, 2001), which means that information about the contributions of others within their group is a determinant of their behavior. Research in psychology has shown that not all available information is salient to the same extent. We manipulate the salience of particular contributions of the other group members and test for systematic effects on behavior. Our results are surprising: We find that people do not adjust their contributions according to our hypotheses, i.e., focusing attention on the minimal contribution in a group does not lead to an immediate decline of the contribution. Vice versa, focusing on the maximum contribution does not lead to higher contributions, compared to the control treatment.

You´ll never walk alone. An experimental study on receiving money

Presenter:

Sigve Tjøtta, University of Bergen

Abstract:

Is more money better than less? Not always. It depends on the situation. If more money for oneself means less money for a stranger, the majority of participants in dictator games choose less money for themselves. But if they really are alone - and thus do not have to share with a stranger - will they always choose to receive more money instead of less? Here, I report results from seven experiments. On average, one-third of a total of 3,351 participants chose to receive less money instead of more. In one experiment even a majority choose to receive less money. In four of the experiments the participants also faced the corresponding dictator experiment where there is an explicit anonymous recipient of the foregone money. There is a high positive correlation between “giving” as a dictator and when alone. This result opens up possibilities for broader interpretations that go beyond social the preference interpretation of giving in the dictator game.

Minimum effort coordination in continuous time - an experimental analysis with changing payoff structures

Presenter:

Maren Tonn, University of Erlangen-Nuremberg

Co-authors:

Matthew Baumer, Thomas Campbell

Abstract:

This experimental study examines a minimum effort coordination game in continuous time. We vary the payoff structure between periods by changing the penalty parameter that describes in how far deviation from minimum play is punished. Our results show that continuous time is not enough to achieve efficient coordination when the penalty parameter is severe, in spite of low signaling costs and extensive information about the decisions of other players. In a second step, we vary the penalty parameter within period, starting with an easier game that adjusts to a more difficult one. Coordination is less efficient than with a constant mild penalty parameter, but the easier start of the game improves coordination in comparison with a constant severe penalty. We cannot find differences when comparing two different forms of this adjustment, a discrete jump or a continuous gradual change of the penalty parameter from mild to severe.

2016 European meeting of the Economic Science Association

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An offer you CAN refuse: the effect of transparency with endogenous conflict of interest

Presenter:

James Tremewan, University of Vienna

Co-authors:

Melis Kartal

Abstract:

This paper studies the effects of transparency on information transmission and decision-making theoretically and experimentally. We develop a model in which a decision maker seeks the advice of a better-informed adviser. Before giving advice, the adviser may choose to accept a side payment from a third party, where accepting this payment binds the adviser to give a particular recommendation, which may or may not be dishonest. Transparency enables the decision maker to learn the decision of the adviser with respect to the side payment. Prior experimental research has shown that transparency is either ineffective or harmful to decision makers. The novelty of our model is that the conflict of interest is endogenous as the adviser can choose to decline the third-party payment. Our theoretical results predict that transparency is never harmful and may help decision makers. Our experiment shows that transparency does indeed improve the accuracy of decision making, more so when transparency is mandatory rather than voluntary.

Cutthroat capitalism versus cuddly socialism: Are Americans more meritocratic and efficiency-seeking than Scandinavians?

Presenter:

Bertil Tungodden, Norwegian School of Economics

Co-authors:

Ingvild Almås, Alexander W. Cappelen

Abstract:

There is striking variation in income inequality and redistributive policies across the developed world. To study whether cross-country differences in social preferences may contribute to explain this variation, we conducted the first ever large-scale international social preference experiment, with nationally representative samples of participants from the United States and Norway. We find that Americans are significantly more accepting of inequality than Norwegians, even when making distributive choices in identical situations. This difference in inequality acceptance between the two countries reflects a difference in fairness views, not a difference in the importance Americans and Norwegians assign to fairness relative to efficiency. We further show that distributive choices in the experiment are strongly associated with attitudes towards redistribution in society. Overall, the study provides novel insights into international differences in social preferences, offers new causal evidence on how fairness and efficiency considerations shape distributive choices, and introduces a new approach to conducting large-scale experiments with nationally representative samples.

Portability of behavioural types in public goods games: the case of strategic complements and substitutes

Presenter:

Theodore Turocy, University of East Anglia

Co-authors:

Francesco Fallucchi, R. Andrew Luccasen

Abstract:

We investigate the portability of behavioral types as defined by Fischbacher et al. (2001) across related public goods games. In a within-subject experimental design, we study four public goods with different structures: the traditional linear specification, a specification with an interior dominant strategy and two versions with a quadratic specification of payoffs where individual profit maximizing contributions are either strategic complements or strategic substitutes. We find that types behave differently in settings where the profit maximizing and the conditional contribution predictions differ. 'Free-riders' in the linear specification tend on average to maximize their own payoff in all settings. 'Conditional cooperators' react differently to the different games, showing a non-decreasing contribution pattern in the strategic substitutes and an increasing pattern in the other three settings. Interestingly, both types' average initial conditional contributions shift in accordance with the trade-off between the marginal contributions to the projects and their respective private accounts. 'Others' do not seem to follow any clear pattern across all games.

An experimental comparison of risky and riskless choice - limitations of prospect theory and expected utility theory

Presenter:

Agnieszka Tymula, University of Sydney

Co-authors:

Hui-Kuan Chung, Paul Glimcher

Abstract:

Prospect theory, widely used descriptively for decisions under both risk and certainty, presumes concave utility over gains and convex utility over losses; a pattern widely seen in lottery tasks. Although such gain-loss asymmetry is also widely used to model riskless choices, limited empirical evidence supports this use. In incentive-compatible experiments we find that in riskless choice gain-loss asymmetries are not observed as predicted by prospect theory even while in the same participants gain-loss asymmetries are observed under risk. Our results imply that utility functions under conditions of certainty can be more closely approximated using neoclassical rather than prospect theoretic preferences.

Loss aversion and competition in Vickrey auctions: money ain't no good

Presenter:

Agnieszka Tymula, University of Sydney

Co-authors:

Antonio Rosato

Abstract:

A key prediction of expectations-based reference-dependent preferences and loss aversion in second-price private-value auctions is that the number of bidders should affect bids in auctions for real objects but not in auctions with induced monetary values. In order to test this distinctive comparative statics prediction, we develop an experiment where subjects bid in multiple auctions for real objects as well as auctions with induced values, each time facing a different number of rivals. Our results are consistent with expectations-based reference-dependent preferences and loss aversion. We find that in real-object auctions bids decline with the intensity of competition whereas in induced-value auctions, instead, bids do not vary with the intensity of competition. These fi ndings suggest that bidders may behave differently in real-object auctions vs. induced-value ones and that a seller auctioning of a consumption good in the field may not necessarily benfie t from fostering competition.

Social identity and political polarization

Presenter:

Justin Valasek, Berlin Social Sciene Center (WZB)

Co-authors:

Dominik Duell

Abstract:

Recent empirical studies in the US have found that citizens vote in an increasingly partisan manner and display higher degrees of social polarization. In this paper, we utilize a novel experimental approach to show that social polarization – i.e. an increased divergence of affective preferences towards in-party and out-party individuals – leads to the expectation of partisan behavior by candidates, which causes an increase in partisan voting. In turn, this suggests that social polarization has a detrimental effect on social efficiency, since, on aver- age, it leads to the election of lower-valence candidates. Specifically, we consider a setting where candidates vary in ability (valence), and elected officials have ex post discretion over policy implementation in a partisan policy-space. Theoretically, we predict that when social polarization is low, citizens vote for the high-valence candidate since both candidates choose a centrist policy; when social polarization is high, however, citizens anticipate candidates' partisan bias and vote for the co-partisan candidate, regardless of ability. Experimental results confirm this prediction, and show that even minimal group interventions are sufficient to generate significant ingroup voting. Importantly, we also find that, with respect to partisan voting, social polarization and policy polarization are complements: while some voters vote for a lower-ability, in-group candidate even when policy polarization is low, socially-costly ingroup voting increases by 70% when policy polarization is high. This strategic response to the underlying degree of policy polarization strongly suggests that social polarization has an instrumental effect on voters' preferences over candidates, and illustrates that social polarization has a higher negative impact on social efficiency in cases when the underlying policy polarization is high.

Income effects on socially responsible market behaviors

Presenter:

Vanessa Valero, University of Zurich

Co-authors:

Björn Bartling, Roberto Weber

Abstract:

Recent years have been witnessed a growing interest in social responsibility as an alternative to state intervention to correct market failures such as negative externalities (Bénabou & Tirole, 2010). Social responsibility occurs when market actors voluntarily take into consideration the external costs they impose on society. One important question in this regard is whether economic growth, leading to increased levels of income of market actors, also brings about greater concern for alleviating problems caused by externalities. On the one hand, Shleifer (2004) took for granted that as “societies grow richer, their willingness to pay for ethical behavior […] increases as well” (p. 418). Bénabou & Tirole (2010) supported this idea, stating that “social responsibility is likely to be a normal good” (p. 1). However, there is no yet empirical evidence supporting this argument. On the other hand, Piff et al. (2012) argue that wealthier individuals are less likely to exhibit moral behavior. However, wealth is endogenous and individuals differ in other dimensions as well in their study. Therefore, the question of whether socially responsible market behavior increases or decreases with income remains open. Furthermore, economic growth is often accompanied by increased income inequality in society. Such uneven distribution of income gains might undermine market social responsibility—potentially even below pre-growth levels. Indeed, the richest but smallest part of the population might become more socially responsible but the largest and poorest part might behave less socially responsibly, compared to a slightly poorer but more egalitarian society. The question that then arises is whether heterogeneity in income growth may influence any relationship between income and social responsible behavior. To address these two important questions, we extend the experimental market paradigm developed in Bartling et al. (2015), in which market actors exchange products that differ in their negative impact on society as well as in their production cost. We vary, by treatment condition, income growth and its allocation to determine their causal impact on socially responsible behavior.

Costly but promising green growth. An experimental comparison of coordination through communication, commitment and leadership

Presenter:

Eline van der Hejiden, Tilburg University

Co-authors:

Reyer Gerlagh

Abstract:

Will groups of people manage to transit from a benchmark (initial) state to an alternative state, when the latter offers a higher potential payoff for all group members, but the transition itself is costly, gradual and requires cooperation? We develop a new dynamic game, the “green transition game” which describes this situation and study how people behave in such a costly but promising green growth scenario in a laboratory experiment. To enable groups to learn to coordinate over time, and avoid costly transitions, the same game is repeated five times, with fixed groups. As experimental conditions we introduce several instruments, which may help subjects coordinate the transition process and improve cooperation. The experimental results show that without intervention, in the baseline treatment, most groups are not able to make a profitable transition. ‘Leadership’ does not change outcomes whereas ‘communication’ and ‘commitment’ not only immediately raise the number of transitions and the payoffs, but also have a positive and persistent effect in subsequent games. Our results also indicate that the legitimacy of the instruments is only of secondary importance: exogenous institutions have similar effects as chosen institutions.

Clean up your own mess: an experimental study of moral standards and efficiency

Presenter:

Roel van Veldhuizen, Berlin Social Sciene Center (WZB)

Co-authors:

Michael Jakob, Dorothea Kuebler, Jan Steckel

Abstract:

Climate change is perhaps the biggest challenge modern society faces today. While market-based solutions such as emissions trading are appealing in theory, in practice they are often met with public resistance. We argue that such public resistance may be driven by a feeling of moral responsibility. Citizens may feel responsible for their or their country's role in climate change, and may therefore prefer to tackle the ensuing problems themselves, rather than using a market mechanism to delegate this task to others. We use a laboratory experiment to isolate moral responsibility from other explanations, and find strong evidence that it can prevent the first-best solution from being implemented. This suggests that moral objections to environmental policy might force policy makers to rely on solutions that are only second-best with respect to payoff maximization.

How does affirmative action affect gift exchange? Evidence from labor market experiments

Presenter:

Joe Vecci, University of Gothenburg

Co-authors:

Andreas Leibbrandt, Edwin Ip

Abstract:

Affirmative action has become central in many modern labor markets but its impacts on principal-agent relationships remain largely unclear. In this study, we investigate how gender quotas affect efficiency wages and worker effort using labor market experiments. In these experiments, task performance determines the selection into principals and worker roles. We find that gender quotas can influence gift-exchange but the direction of the effect is dependent on the institutional environment: If the quota exists when people believe there is a gender difference in skill, there is less gift-exchange as compared to when there is no quota. However, if the quota exists in an environment where one group is disadvantaged and must work harder to achieve, there is greater reciprocity and more gift-exchange. These findings suggest that affirmative action policies should not be blindly implemented across the board, nor completely dismissed.

Asymmetric lies?

Presenter:

Marie-Claire Villeval, GATE (CNRS-University Lyon)

Co-authors:

Ellen Garbarino, Robert Slonim

Abstract:

Research investigating dishonest behavior has focused on understanding trade-offs between ethical/moral consideration and personal financial gain. However, virtually no research has investigated dishonesty towards causes people support, and none towards withholding support for causes people oppose. Examining dishonesty towards donations to organizations people support or oppose allows us to examine additional moral motives (and justification) for dishonesty; specifically, we conjecture that when people find donations may be given to organizations that support or oppose their goals for society, then there may be greater justification for dishonesty. To study dishonesty to support or to prevent support for causes, we ran a novel mind coin-tossing experiment with a large sample of U.S. Democrats and Republicans. In our experiment, the successful prediction of coin tosses earns money to be donated to either the party they support or oppose, but with no personal monetary cost or benefit. We created a non-linear payoff structure with three donation amounts (none ($0), small ($1) or large ($8)) in order to observe whether subjects are dishonest to (a) provide positive vs. no support; (b) provide large vs little/no support; (c) avoid large support; and (d) avoid any support. We find that when given the opportunity to help a political party that subjects support or belong to, subjects lie to (a) avoid providing nothing and (b) provide the largest possible amount. In contrast, when given the opportunity to help a political party that subjects do not support or belong to, subjects lie to (c) avoid providing the largest amount possible and (d) provide nothing. In addition, the absolute level of dishonesty is substantially larger than dishonesty levels observed in past studies. These results suggest that either the moral cost of dishonesty is lower than past results have suggested and/or that subjects make trade-offs across competing moral and ethical issues. Finally, subjects lie relatively more when it is easier to hide dishonesty (i.e. reporting 8 when the structure of payoffs is 0188, or 0 when the structure of payoffs is 0018).

The announcement effect: the impact of early warnings of future thresholds under different framing and risk contexts

Presenter:

Martine Visser, School of Economics, University of Cape Town

Co-authors:

Alex Child

Abstract:

The effect of announcing future institutional change is investigated in three different contexts: a gains frame, a loss frame, and a loss frame with risk. The institutional change is the transition from a normal public goods game into a threshold public goods game. Announcements may change subject behaviour, through influencing their expectations, before the implementation of the new institution (adjustment effect) and/or after the implementation (adaptation effect).We find that announcements in the gains frame cause zero adjustment effects and negative adaptation effects; while announcements in the loss frame cause positive adjustment and adaptation effects. However, including risk into the threshold phase of the loss frame causes the announcements to have zero effects. These results have important implications for the climate change debate.

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Risk attitudes and adaptation: experimental evidence from a flood-prone urban informal settlement in South Africa

Presenter:

Martine Visser, School of Economics, University of Cape Town

Co-authors:

Kerri Brick

Abstract:

This study characterises the risk attitudes of a sample of individuals living in a flood-prone, urban informal settlement. A number of Cape Town's informal settlements are vulnerable to flooding. Vulnerability to flood risk is determined, in part, by participants' adaptation strategies. The objective of this paper is to determine the extent to which risk attitudes are correlated with choice of adaptation strategy. Risk attitudes are elicited from participants' choices over a series of lottery tasks for real monetary prizes. The results indicate that individuals adopting more effective (and costly) adaptation strategies are more risk averse. This result implies that attempts by local authorities to encourage uptake of adaptation strategies must take into account risk attitudes. For example, city officials might supplement ongoing education initiatives with proactive measures to incentivize even risk-seeking individuals to engage with adaptation (for example, through the provision of a subsidy on building materials).

Joint exploration for the public good: theory and experimental evidence

Presenter:

Emma von Essen, Aarhus University

Co-authors:

Topi Miettinen, Marieke Huysentruyt

Abstract:

We develop of a simple theory of costly team exploration where members sequentially search for a public good located in some finitely many locations; called the exploration game. We compare this situation to a standard sequential public good game, where the locations of the public goods are known. The exploration game exhibits informational externalities in addition to the typical public good payoff externalities. Encouragement effects and quantal-response equilibrium both predict that (especially first-mover) contributions are higher in the exploration game. Moreover the equilibrium contributions in the exploration game exhibit non-monotonicities depending on the value of the public good that are not present in the public good game. We test these predictions in a lab experiment where we also control for other-regarding preferences, risk-aversion, cognitive reflection style, and gender. Preliminary results support the main theoretical prediction of higher contributions in the exploration game compared to the public goods game.

Effects of in-migration on cooperative behavior: evidence from an artefactual field experiment in Zambia

Presenter:

Tobias Vorlaufer, University of Marburg

Co-authors:

Björn Vollan

Abstract:

Internal migration to rural destinations constitutes a major share of global migration flows and is likely to be aggravated by climate change. Yet, little is known about the impact of in-migration on social dynamics, specifically on cooperation for the provision of public goods through community members. Both laboratory and field experiments have found that heterogeneous groups exhibit less cooperative behavior than homogenous groups. To our knowledge however none of these studies has specifically investigated the effects of migration on cooperative behavior. We report from an artefactual field experiment conducted in 18 villages in Central Zambia to investigate the extent in-migration affects the joint provisioning of public goods. In the research area, communities are ethnically diverse. This allows us to study the effect of migration without the often accompanied influence through increasing ethnic heterogeneity. To study the research question at hand we conducted a four-person public good experiment with four treatments that specify the group composition in respect to migrants and non-migrants. Our findings highlight that the effect of in-migration on cooperation is highly context specific. First, we find no negative effect of group heterogeneity on cooperation levels, indicating that previous experimental findings on group heterogeneity and cooperation may not be generalizable. Second, individual characteristics such as migration background do not explain contributions in different treatments. Third, we find evidence for a positive effect of migration on overall cooperation levels in specific villages. These villages are relatively large, have low migrant shares, but relatively strong in-migration in the last 5 years. Migrants contribute here significantly more in non-migrant majority groups. Due to no significantly higher beliefs about others' contributions, we interpret this behavior as preference-based and as potential signal for pro-social behavior. Non-migrants on the other hand contribute significantly more in groups with high migrant shares. Their beliefs suggest that they anticipate strong cooperation by migrants and respond with higher contributions from their side. In the remaining villages, we find however no support for the hypothesis that migration negatively affects cooperation levels. These results underline that in-migration can have a positive or at least no significantly negative effect on cooperation in rural host communities. More generally, contextual variables are found to moderate the effect of heterogeneous group identities on cooperative behavior.

Investing in managerial honesty

Presenter:

Alexander Wagner, Swiss Finance Institute - University of Zurich

Co-authors:

Rajna Gibson, Matthias Sohn, Carmen Tanner

Abstract:

Recent literature examines the importance of investor preferences for socially responsible corporate behavior, and the investor segmentation that may arise on this basis. Little is known, however, about the influence of investor perception of managerial honesty, which is surprising given the numerous scandals involving corporate fraud and deception. To investigate potential investor segmentation based on market participants' desire to invest in firms run by ethical CEOs, we conducted two experiments. Participants decided in which of two companies they wanted to invest. One of the CEOs engaged in earnings management, announced higher earnings, thereby obtaining a higher bonus, while the other did not engage in earnings management, accordingly receiving a lower bonus. Each CEO also announced future returns. We found that investors perceived a CEO to be more committed to honesty when he resisted to engage in earnings management. Second, investors who themselves treated honesty as a "protected value" were more likely to invest in the CEO who did not engage in earnings management. Third, while investors tended to invest with the CEO with the higher announced future returns, this tendency was strengthened when they perceived this CEO as being more committed to honesty. Interestingly, this pattern was especially pronounced for investors with a primarily individualistic, profit-maximizing orientation. Overall, these results (a) demonstrate that (perceived) values of the CEO matter, (b) highlight a pivotal role of investors' personal values on their investment choices, (c) indicate that investors segment into stocks based on the joint effects of these two driving forces.

Adverse selection and market structure: an experiment

Presenter:

Christian Waibel, ETH Zurich

Co-authors:

Wanda Mimra

Abstract:

The performance of markets with hidden information is of central importance in microeconomic theory. We present a large-scale experiment that distinguishes between two forms of hidden information, private and common values, and varies the contracting environment from bilateral contracting to non-exclusive competition. Our experimental results largely confirm theoretical predictions. Under private values, competition implements First Best trades. Under common values, the surplus when competition is exclusive is significantly higher than when competition is non-exclusive. Under bilateral contracting and non-exclusive competition, low types are excluded, while low types are only distorted under exclusive competition.

Assessing choice overload in a complex environment

Presenter:

Joerg Weber, University of Nottingham

Co-authors:

Robin Cubitt, Chris Starmer

Abstract:

We have developed an experimental paradigm to study choice overload and performance in a complex environment. In a given round of our experiment, subjects face a large array of multi-attribute objects of which they will ultimately select one. Attributes are initially hidden. Subjects have a fixed amount of time to investigate the objects and make their selection. This environment represents a stylised product search and shopping experience. As part of our inter-est is in how experience affects decisions, we analyse the evolution of behaviour and evidence of choice overload over the rounds. Our environment allows us to manipulate candidate determinants of choice overload in order to assess their consequences for "successful" choice. We separately elicit preferences to assess how well subjects are able to select objects that match their preferences.

Self-scanning and self-control

Presenter:

Erik Wengstrøm, Lund University

Co-authors:

Natalia Montinari, Emma Runnemark

Abstract:

Payment at retail stores are increasingly being replaced by automated systems. One recent technological invention in this area is mobile self-scanning in which customers carry a mobile scanner while shopping. This gives real-time feedback on spending, potentially increasing customers' attention to prices and helps keeping track of spending. In a field experiment, we test if mobile self-scanning affects consumer behavior. Consumers of two grocery stores in Sweden were allocated randomly to use a mobile self-scanner or not and asked to fill in a survey. We find that the response to using the scanner is heterogeneous. In particular, we find that individuals with low self-control reduce both their spending and number of items bought when using the scanner. Moreover, we find that consumers with low self-control are more likely to use a self-scanner. This suggests that individuals, who are aware of their self-control problem, use the scanner to keep control of their spending.

Mitigating active and passive sabotage in tournaments - a series of real effort experiments

Presenter:

Jan Wilhelm, RWTH Aachen University

Co-authors:

Christine Harbring

Abstract:

In contests, destructive effort in the form of sabotage is a prominent problem. In a series of economic laboratory experiments, we compare settings in which participants in identical strategic contests may either exert active sabotage or make an omission decision. Participants are competing in dyadic real-effort tournaments, and they may decrease the output of their contestant at no cost to themselves. We also introduce several ways of mitigating sabotage, i.e. a probability of being detected after exerting sabotage, an additional team incentive, and a Code of Conduct. Upon detection, a photo of the offender as well as information on the intensity of the sabotage is shown to the contestant. Without detection, omission and sabotage are used extensively and not significantly differently with regard to magnitude. Introducing a detection probability significantly reduces both. Both team bonus and the Code of Conduct have the potential to reduce passive sabotage (omission), while they do not influence behaviour in active sabotage settings (commission). However, our results indicate that in settings with detection of behaviour, there is a preference for harmful inaction (omission bias). While sabotage is almost halved in the detection settings, the effect on omission decisions is significant but less distinct.

A disappearing gender gap - evidence from an experiment with Danish children

Presenter:

Helene Willadsen, University of Copenhagen

Co-authors:

Lotte Kofoed Jorgensen, Marco Piovesan

Abstract:

Gender differences in salaries and employment in top positions persists in many developed countries (OECD, 2015), despite equal opportunities for men and women being a priority among policymakers. To explain this gender gap in the labor market, a body of economic literature investigate differences in preferences for competition. Gender differences in competition can explain why women may be less willing to enter competitive industries or to seek promotions in a competitive environment. Niederle and Vesterlund (2007) demonstrate that men choose competition more than women even when there are no differences in abilities. Gneezy et al. (2003) show that men increase their performance under a competitive incentive scheme, but women do not. Studying the development of preferences for competition in children may shed light on the ages where gender differences evolve. Investigating differences in performances among Swedish children between 7-10 years old, Dreber et al. (2011) find no differences under a competitive incentive scheme. In this paper we investigate the selection into competition by an artefactual field experiment with 353 Danish school children in grades 1-9. We present a novel real effort task in which children have to build a wall of Lego following an instruction. In the first stage children perform the task under a piece-rate scheme and receive one token per correctly built row. In the second stage children perform under a competitive incentive scheme and receive two tokens per correctly built row, if they built more rows than an unknown classmate. In the third stage children choose whether to perform under the piece-rate scheme or competitive scheme. We also measure children's belief about their relative performance, and we elicit risk preferences using a modified version of the bomb risk elicitation task (Crosetto and Filippin, 2013). Finally, to measure gender stereotypical beliefs, we ask children to guess the performance of a pictured girl and a pictured boy. We find that boys and girls have similar abilities in the real effort task measured as performance in the first stage. Our results show that boys are not performing better than girls under a competitive incentive scheme. In addition, we find no significant gender differences when looking at the decision to compete. Despite equal performances boys are more overconfident than girls and we also find evidence of a stereotypical belief that boys are generally better than girls in the real effort task. The interaction between gender and stereotypical gender beliefs significantly affect children's decision to compete. Hence, understanding the importance of stereotypical beliefs about performance might help explain the mechanism behind distinct gender developments in competitive behavior.

The interdependence of preferences and beliefs in individual and strategic decision making

Presenter:

Jana Willrodt, University of Bonn

Co-authors:

Thomas Dohmen, Armin Falk, Simone Quercia

Abstract:

Contrary to the standard assumption in economic theory, we hypothesize that preferences and beliefs are interdependent. We investigate this hypothesis in a longitudinal experiment, in which subjects are asked to complete several tasks over three weeks. Our design allows us to distinguish a 'true' interdependence between preferences and beliefs from one that is artificially induced by design features such as simultaneous elicitation. We examine this issue in both individual and strategic decision making. Our results broadly confirm our hypothesis of an interdependence of preferences and beliefs. We suggest causal mechanisms that can explain our empirical results.

Crowd out or crowd in: an experimental study on the impact of decentralized punishment on the effectiveness of centralized sanctions in a public goods game

Presenter:

Xue Xu, Tilburg University CentER

Co-authors:

Abstract:

A number of experimental studies have shown that centralized sanctions are effective in solving free-riding problems in social dilemmas. This experimental study explores whether the presence of decentralized punishment chances crowds out or crowds in the effectiveness of centralized sanctions in a linear public goods game. In this study, centralized sanctions are enforced by a randomly selected intra-group member, varying whether the enforcer has an opportunity to corrupt. The presence of decentralized punishment is hypothesized to erode the effectiveness of centralized sanctions if the enforcer cannot corrupt, but to strengthen it if the enforcer is prone to corruption. The result does not support the hypothesis. I find that when the enforcer has no opportunity to corrupt, the presence of decentralized punishment does not significantly affect the effectiveness of centralized sanctions, though the intensity of centralized sanctions is weakened by the threat of retaliation. When the enforcer can corrupt, the presence of decentralized punishment saliently crowds out the effectiveness of centralized sanctions. Members reduce contributions substantially to implement deterrent levels of decentralized punishment against corruption, but the severity of corruption does not decrease.

Risk, time pressure and selection effects

Presenter:

Yilong Xu, Tilburg University

Co-authors:

Martin G. Kocher, David Schindler, Stefan T. Trautmann

Abstract:

Climate change is perhaps the biggest challenge modern society faces today. While market-based solutions such as emissions trading are appealing in theory, in practice they are often met with public resistance. We argue that such public resistance may be driven by a feeling of moral responsibility. Citizens may feel responsible for their or their country's role in climate change, and may therefore prefer to tackle the ensuing problems themselves, rather than using a market mechanism to delegate this task to others. We use a laboratory experiment to isolate moral responsibility from other explanations, and find strong evidence that it can prevent the first-best solution from being implemented. This suggests that moral objections to environmental policy might force policy makers to rely on solutions that are only second-best with respect to payoff maximization.

The effect of joint endowment of tacit bargaining

Presenter:

Lian Xue, University of East Anglia

Co-authors:

Theodore Turocy, Stefania Sitzia

Abstract:

We use experimental methods to test the effects of joint endowment on coordination success in tacit bargaining games. It is now well established (Sugden 1993, 1995; Bacharach, 1999, 2006). We conducted an experiment in which two players jointly engage in an interactive team building activity and together earn all the stakes over which they bargain. In the team building exercise, two players jointly complete a traveling salesman problem (TSP) in a metaphor of treasure hunts. After the two treasure hunters complete the journey, they independently decide how to divide their rewards using a tacit bargaining table (Isoni et al. 2013). Compared with Isoni et al. 2013, our participants are significantly more likely to choose the solutions suggested by focality when focal payoffs are asymmetric. Furthermore, we find a positive correlation between performance in the group activity and cooperative behavior in tacit bargaining.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Trust and kinship: experimental evidence from rural India

Presenter:

Yashodha Yashodha, University of Gothenburg

Co-authors:

Fredrick Carlsson, Håkan Eggert

Abstract:

Informal agreements are often in place when formal institutions fail to enforce formal arrangements or when formal institutions are unavailable. In many developing countries, the informal arrangements play a pivotal role, for example, in land rental contracts, exchange-labor contracts, water sharing contracts etc. An Agent self-selects him/herself to have a contractual arrangement with whom he/she feels trusted and he will bind to terms and condition of the contracts. Therefore, trust is a very important element of the social capital which determines the success of informal agreements/contracts, since enforcement is a costly affair. Fukuyama (1995b), argued that frequent interaction helps agents to assess trust or trustworthiness among them. At the village level, frequent interactions usually happen either with kins or friend groups for more obvious reasons. However, not much emphasis has been given in the literature which focuses on how the relationships between individuals like kinship, friendship, group relationships influence their decisions. From the literature, the kinship has known to have two contrasting effects. A group of studies claims that the kin relationships between agents of shared contract solve the issue of the possibility of shirking through moral obligation (Sadoulet et al., 1997), also solidarity and trust among them helps to reduce the transaction cost in holding up of property rights in the business (Peng, 2004). On the other hand, Holden and Ghebru, (2005) argues that kinship is a means through which people free ride or develop a behavior of taking for the granted. This induces people to invest sub-optimally in the profitable portfolio to avoid the showcase their true income in the kin-linked network (Di Falco and Bulte, 2011, 2013, Jakiela and Ozier, 2015). Therefore, it is important to clearly understand the role of kinship in informal contracts. We believe that both the arguments could be true but the important measure of closeness in kinship networks was overlooked in the previous studies in distinguishing and explaining these two effects of kinship. Our main focus in this paper is to understand how trust and trustworthiness of individuals who have involved in the informal contracts are related to kinship and to know how the closeness in the kin networks is associated in determining the trust and trustworthiness. The field experiment was conducted in selected villages of Karnataka state, India, where the informal groundwater contract are observed . We employed an investment game developed by Berg et al. (1995) to elicit the trust and trustworthiness (from now on referred as 'trust game'), and a standard dictator game was used to elicit altruistic behavior. We used with-in sample design where senders are asked to take a decision with their kin and non-kin partners in the village. In order to know the strata of kins and non-kins in the village, we used the village household list consisting household information like house number, head of household and members' information along with photographs. From the list, the subjects are asked to mark their kins who are linked to them within three generation. The agents of groundwater contract (sellers and buyers) are assigned the role of 'senders'. A kin and non-kin partner were randomly selected from the strata of kin and non-kin to match with the sender. The random matching ensures anonymity between subjects even after

revealing information to subjects whether the matched partner is kin and non-kin, however, don't know whom exactly they are matched within their identified list. We had also asked subjects to rank 10 households in the village with whom they are close with. We used the numbers for kin households that are identified since kin strata fall under this close group as a measure of closeness strength of the kin network. We found that kins are trusted relatively more than non-kins which were represented by higher proportion sent to kins compare to non-kin partners in the trust game. Controlling for their altruistic behavior, the magnitude difference in proportion sent to kin and non-kin reduces, however, the difference is statistically significantly. Closeness strength of kinship network does not determine this differential trust towards kins and non-kins. We found two effects of kinship on trustworthiness. First, on an average kin receiver returned lower than a non-kin receiver when there is no kins in their close group (closeness strength of kinship is low). Secondly, as the number of kins among close group increases (high strength of kinship), the proportion returned by kin receivers also increases compared to the non-kin receivers. Comparing the expectations and actual proportions returned, we found that the expected proportion returned is lower from non-kin, while the actual proportion returned is higher. This mismatch in the expected trust and trustworthiness towards non-kin might reduce the chance of their interaction, and hence the reallocation of resources.

Common knowledge of rationality and the price of information: an experiment on observational learning

Presenter:

Haihan Yu, University of Alicante

Abstract:

In this paper, we investigate the implications of common knowledge of rationality(CKR) in observational learning. We conduct our experiments using classical observational learning game with different observational structures that some have the access to redundant information while some do not. We use exogenous observational structures treatments to see whether redundant information help the subjects' decision. We use partially and completely endogenous observational structures treatments to elicit subjects' willingness to pay for information. We find that the subjects heavily rely on the redundant information to make decision and allocate substantial amount of money buying redundant information. Moreover, lacking of confidence in opponents' degree of sophistication will lead subjects increase their valuation of redundant information. We propose a new model of information demand based on the belief of opponents' strategic sophistication. The new model fits our data well and the assumptions of the model are more realistic than the canonical model which built upon non-strategic situations.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

Better fooling than pooling. An experiment on signaling

Presenter:

Haihan Yu, University of Alicante

Abstract:

This paper reports an experiment designed to shed light on the tension between individual incentives and information revelation in sequential strategic setups with incomplete information. Our results indicate that subjects successfully misrepresent their signals, instead of shading their private information, as equilibrium behavior would prescribe, but the fooling others will be offset by positional disadvantage.

2016 European meeting of the Economic Science Association

31 August – 3 September, Bergen, Norway

The more you trade, the less you earn: an experimental study

Presenter:

Miroslav Zajicek, University of Economics, Prague

Co-authors:

Tomas Miklanek

Abstract:

This paper examines the relationship between the frequency of trading and achieved profits in the continuous double auction asset markets. There are mixed theoretical predictions about this relationship followed by the similarly mixed empirical evidence. With our approach we try to look at the effect of trading activity on the profits in a very simple experimental market with one asset and no uncertainty about the fundamental value. We use the market setting very close to a canonical one of Smith, Suchanek and Williams (1988) with two modifications (see below). This could provide a benchmark for trading activity effects in more complicated asset market environments. Our results suggest a significant negative relationship between the trading activity and the final profits.

Deciding to be patient: the effect of the family and community on time preferences

Presenter:

Tomas Zelinsky, Technical University of Kosice

Co-authors:

Joe Vecci

Abstract:

Self-control is an important parameter in economic models that determine consumption and savings over the lifecycle. Empirical studies examining self-control show a strong relationship between self-control and individuals' decisions to investment in education, and health. This paper examines the role of family members but also the local community on self-control. We present a lab-in-the-field experiment of almost 1500 Roma subjects (370 households) living in segregated Roma communities in Slovakia. To measure self-control respondents are asked to choose between receiving smaller amounts earlier at the time of interviewing or larger amounts with three months' delay. The same choices are asked at a future time frame (six months' and nine months' delay). Subjects take part in three stages. In the first stage individual decisions are recorded. In the second stage we randomly allocate community members to groups, within these groups subjects discuss and make a collective decision. In the final stage subjects must again make an individual decision. The results suggest that 77% of children, 83% of parents and 90% of grandparents always preferred a smaller amount earlier than larger amounts later in current time frame, while in future time frame the proportions of subjects decreased to 71%, 73% and 81% (respectively). After making a community decision the numbers of impatient children increases by 3% in the current time frame and by 5% in the future time frame, while the proportions of impatient parents and grandparents remain rather unchanged. This suggests that interaction with fellow Roma community members increases impatient behaviour particularly in children. These results show that individual decisions are to a large extent over powered by collective decisions and a high proportion of children change their original preference and accept a collectively agreed preference.

Multidimensional group identity: an experimental study

Presenter:

Ruike Zhang, Nanyang Technological University

Co-authors:

Fuhai Hong, Yohanes E. Riyanto

Abstract:

Social identity is embedded in social structures, influenced by various social processes, and has multiple dimensions. This paper reports findings from a laboratory experiment that elicits two dimensional social identities for subjects: a horizontal identity determined either randomly or by preferences over abstract paintings in line with the Minimal Group Paradigm of Chen and Li (2009) and a vertical identity with higher or lower income status, determined either by luck or by performance in a real-effort task. We also vary the dimension of the social identity to be enhanced by a team-building group task as well as the income gaps between the two vertical identity groups. The subjects are then asked to make allocation decisions between two others with different identity attributes. We find that in-group favoritism is robust in our two-dimensional social identity setting, the degree of which is affected by the identity distance between the allocator and the recipient. In-group favoritism is also stronger when the horizontal social identity is determined by preferences. We then conduct structural estimations to characterize subjects' utility functions with both in-group favoritism and preference over inequality. Our results highlight the importance of incorporating social structure and social process in studying identity and economics.

Rice farming and the emergence of cooperative behavior

Presenter:

Xiaoyu Zhou, Royal Holloway, University of London

Abstract:

Differences in the composition and morphology of land in Chinese provinces lead to large differences in the percentages of farming land devoted to the cultivation of rice. We take advantage of these differences to investigate whether the tradition of rice farming has resulted in the emergence of a more cooperative cultural norm.

Rice grows on standing water instead of dry land and farmers in a village traditionally shared the same water reserves. This created the need to cooperate on the management of the common resource and the maintenance of the irrigation system. Additionally, farmers had to plant rice seedlings, not seeds, into paddy fields. This necessitated a large amount of labor. To avoid the risk of missing the planting season, families in rice farming areas had to cooperate on planting. Our hypothesis is that all those years of rice farming have given rise to a cooperative norm. That norm kept on being transmitted from one generation to the next even when rice farming was no longer the main occupational choice.

The study most related to ours is Talhelm et al (2014). Using non-incentivized questionnaires, they find that subjects from rice provinces have a more holistic thinking style while subjects from non-rice provinces possess a more analytic thinking style. However, unlike Talhelm et al. (2014), we focus our attention on economically relevant behavior in strategic situations. Another methodological difference is that we used validated and incentivized games from the experimental economics literature, while they, following the tradition in the psychological literature, used non-incentivized questionnaires.

We conducted a series of experiments in four provinces in China. Two of the provinces have more than 78% of their cultivated land devoted to rice paddy fields while the other two have less than 2.5%. In each province we selected universities of comparable stature and recruited local Han Chinese students as subjects. Subjects played a public good game with and without punishment, as well as other games. The public good game is closely related to the situation faced by actual rice farmers: each farmer has the incentive to free-ride on others, while it is efficient if all farmers exert maximum effort.

Consistent with the hypothesis, we find that subjects from rice areas contribute more in the public good games. Since our subjects are university students who are unlikely to have participated in growing rice themselves, we attribute this to a cultural norm brought about by rice farming. Furthermore, results from the public good game with punishment show that subjects in rice provinces are more likely to punish “norm violators”. This includes free-riders as well as high contributors. The results from these two games suggest that people from the rice provinces created and sustained the more cooperative culture by developing a punishment norm.

We do not find any differences between subjects from rice and non-rice provinces in their play in dictator game, ultimatum game and stag hunt game. This finding alongside with questionnaire results indicate that the inequality and reciprocity models cannot explain the data. Additionally, our results are robust to the inclusion of controls for province level GDP, self reported income, risk preferences, and other controls. Finally, in order to control for potential self-selection through migration, we drop

subjects whose fathers migrated from a rice to a non-rice region or vice versa. Internal migration in China was strictly prohibited until the late 1990s, therefore the families of those subjects are more likely to have been long established in their respective areas. Our results still hold in this sub-sample.

References

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The price of entrepreneurship. Evidence from the lab

Presenter:

Vita Zhukova, University of Alicante

Co-authors:

Giovanni Ponti, Marcello Sartarelli, Iryna Sikora

Abstract:

We study a stylized experimental labor market in which “entrepreneurs” (i.e., principals) compete to attract “employees” (i.e., agents) by offering a contract from a fixed menu. Treatment conditions define the technology which selects principals from the subject pool. In the baseline treatment, principals are randomly selected; in the “free entry” treatment, principals volunteer for the role at no cost for them; in the “costly entry” treatment, the identity of the principals is determined by the outcome of a multi-unit first price auction. We are primarily interested in explaining the individual characteristics of the principals’ pool as a function of the selection technology. In this respect, we find that unobservable characteristics, (with specific reference to psychological traits, cognitive abilities and elicited risk and social preferences) are salient in the decision of competing for a principal position, rather than standard socio-demographics. We are also interested in comparing the downstream labor markets in terms of their efficiency (i.e., their ability to generate effort on behalf of the agents), together with their profitability (for all parties involved, that is, wages and profits) as a function of the selection mechanism. In this respect, we find that, in free, or costly, entry relative to random, principals offer more efficient wages in exploiting strategic complementarities in employees’ effort, which leads to higher payoffs for both.

The legacy of financial crises - a long-lasting erosion of trust?

Presenter:

Tom Zimmermann, Federal Reserve Board

Co-authors:

Thomas Graeber

Abstract:

Do drastic economic experiences affect individuals' personalities in the long run? This question has far-reaching implications regarding, e.g., the welfare cost of crises, but quasi-experimental evidence is scarce. We estimate the long-term effect of financial and macroeconomic crises on measures of trust. This project features methodological innovations in the research on experience effects and is the first to focus on the social domain of preferences and beliefs. We start out by exploring the relationship between different macroeconomic crises and self-reported interpersonal trust. Our analyses exploits repeated cross sections of individual-level trust data from the World Values Survey from more than 45 countries. We aggregate country-level macroeconomic crisis measures into individual experience stocks at the year-country-cohort level and find a systematic and persistent negative effect of the personal experience of banking crises, but not of other types of financial and macroeconomic disasters, on trust. Our finding corroborates evidence on the outstanding role of banking crises: Previous work delineated the notion of banking crises as crises of trust and trust has been shown to play a decisive role in financial contracting and aggregate financial development. We pinpoint the belief channel rather than a preference-based mechanism as underlying the observed effect: Traumatic financial experience damages beliefs about the general benevolence of other people's intentions, more generally about the conception of man, rather than the disposition to take risks in social contexts. In line with the well-documented human tendency to attribute bad personal outcomes to human agency and evidence that the lay perception of the causes of financial crises favors man-made accounts over abstract systemic, institutional explanations, financial traumata are blamed on other humans and function as a persistent breach of trust. Consistent with that, we also find that exposure to banking crises lowers confidence in institutions that involve delegation of power, such as confidence in the government or in the parliament, Using a large panel data set from Germany, we trace out the concrete mechanism based on individual-level trajectories over time and substantiate that the effect is likely caused by financial stress, i.e. being either directly affected by financial misfortune or suffering from increased financial worries. In a set of accompanying analyses, we combine local variation in historical U.S. bank failures taken from FDIC's Failed Bank List with geo-coded individual trust data from the General Social Survey to gain additional credence for the specific role of banking crises. Our identification strategy admits survey year, country, and birth year cohort fixed effects as well as country-specific age trends. Our results are robust to a variety of different approaches of aggregating individual crisis experience proposed in an emerging line of research in economics on the experience hypothesis. Methodologically, our work pioneers in controlling for other types of historic experiences that are potentially correlated with crises, which constrains the likelihood of reporting a spurious relationship.

Coordination behavior in children and teenagers

Presenter:

Claudia Zoller, University of Cologne

Co-authors:

Daniela Glaetzle-Ruetzler, Matthias Sutter

Abstract:

Coordination plays an incremental part in human behavior and society as a form of cooperation. We study how children's coordination behavior changes with varying payoff options and how increasing age influences their decision making. A total of 819 Austrian children and teenagers between the age of nine and nineteen played a Stag-Hunt and a minimum effort game with different payoff treatments. Results revealed that while younger children exhibit more random behavior and do not differentiate significantly between varying payoff treatments, teenagers with increasing age become more strategic in coordinating with other students. This strategic behavioral component is first exhibited in young teenagers and then becomes more developed with increasing age and maturity. Furthermore, a group size effect is evident as children and teenagers make a clear distinction between coordinating with four people versus only one partner.

The National Cooperative Research Act revisited. An experiment

Presenter:

Stein E. Østbye, UiT - The Arctic University of Norway

Co-authors:

Eirik E. Heen

Abstract:

Is it necessary to allow binding agreements on sharing of R&D output between firms before investments in R&D are undertaken in order to align private and social incentives for private R&D, or is it sufficient to rely on possible sharing of R&D output through markets after investments have taken place? This question was increasingly pushed to the forefront in the early 1980s as U.S. came to perceive itself as lagging behind in the technological development and resulted in The National Cooperative Research Act, enacted by U.S. Congress in 1984 (amended and extended in 1993 and 2004). In this paper we revisit this important issue, taking advantage of the experimental methodology developed in economics in recent years. We put the question of ex ante versus ex post R&D cooperation to a test using an economic laboratory experiment. As theoretical framework, we employ a simple duopoly model in the d'Asprémont and Jacquemin (1988) tradition, proposed by Kultti and Takalo (1998), which we interpret as a model of ex post cooperative agreement on information sharing related to R&D between two firms. The ex-ante alternative is created by simply switching the sequence of decisions in the Kultti-Takalo model, letting firms engage in a binding contract, that regulates information sharing, before they make their R&D investment decisions. The results show clear differences in investment levels between the two treatments although Nash play suggests that there should be none. The Ex post treatment gives more investment and higher welfare. The paper offers a discussion of possible explanations for the differences we observe in the data.