

2011 Regional **ESA** Conference

November 10-12, 2011

Westward Look Resort

Tucson, AZ

Revised November 9

Thursday, November 10, 5:30 pm – 8:00.¹

Welcome Reception – Sonoran Rooftop, Westward Look Resort

Friday, November 11, 8:00 am – 9:00 am

Plenary Session, Sonoran Ballroom

Thomas Palfrey, "Theory-Based Political Science Experiments: Why should economists be interested?"

Chair: John Wooders

¹ Free margarita punch for the first hour.

Friday, November 11, 9:20am – 10:20am

Session 1, Coyote: ANOMALIES 1

- Greg Hunter, "[Unintentional Information Effects and the WTP-WTA disparity: Theory and Experimental Evidence](#)"
- Marta Serra-Garcia, "[Complexity and narrow bracketing in credit choice](#)"
- Pietro Ortoleva, "[Is it All Connected? Understanding the Relationship Between Behavioral Phenomena](#)"

Session 2, Quail: EMOTIONS AND CHOICE 1

- Homa Zarghamee, "[Negative Affect and Overconfidence: A Laboratory Investigation of the Effects of Fear, Anger, and Sadness](#)"
- John Ifcher, "[Positive Affect and Overconfidence: A Laboratory Investigation](#)"
- Daniel Martin, "[Nudges, Attention, and Mistakes](#)"

Session 3, Javalina: GAMES 1

- Alistair Wilson, "[Communication with Multiple Senders and Multiple Dimensions: An Experiment](#)"
- Joseph Wang, "[Experimental Implementations and Robustness of Fully Revealing Equilibria in Multidimensional Cheap Talk](#)"
- Ernesto Reuben, "[On the Escalation and De-escalation of Conflict](#)"

Session 4, Ocotillo: PUBLIC GOODS 1

- Anna Gumen, "[Ethnic Conflict and the Provision of Public Goods: A Framed Field Experiment](#)"
- Sarah Jacobson, "[The Scapegoat: How Downstream Externalities Affect Public Good Provision](#)"
- Alexander Smith, "[A Causal Model of Contributions in Repeated Public Good Games](#)"

Session 5, Cholla: MORALS

- Daniel Chen, "[Markets and Morality: How Does Competition Affect Moral Judgment?](#)"
- Matthew Hashim, "[Digital Piracy, Teens, and the Role of Advice](#)"
- John Lightle, "[Lost in the Shuffle: An Experimental Study of the Diffusion of Responsibility in Markets](#)"

Friday, November 11, 10:40am – 12:00pm

Session 1, Coyote: GAMES 2

- Guillaume Frechette, "[Renegotiation in Repeated Games: An Experimental Study](#)"
- Olexandr Nikolaychuk, "[Individual Learning in Games with Asymmetric Information](#)"
- Emanuel Vespa, "[Cooperation in Dynamic Games: An Experimental Investigation](#)"
- John Hamman, "[Managing Credibility](#)"

Session 2, Quail: GENDER 1

- Jonathan Woon, "[Women Don't Run: Gender Differences in Candidate Entry](#)"
- Linda Kamas, "[Can Social Preferences Explain Gender Differences in Economic Behavior?](#)"
- Julia Muller, "[Can Personality Explain What is Underlying Women's Unwillingness to Compete?](#)"

Session 3, Javalina: SOCIAL PREFERENCES 1

- Erik Kimbrough, "[Rules, Rule-Following, and Cooperation](#)"
- Paul Viotti, "[Attitudes Toward Economic Inequality](#)"
- Sheryl Ball, "[Responsibility and Intentionality in Economic Games](#)"

Session 4, Ocotillo: PHYSIOLOGY

- Anna Bassi, "[O Sole Mio. An Experimental Analysis of Weather and Risk Attitudes](#)"
- Charles Sprenger, "[Violent Trauma and Risk Preference: Artefactual and Experimental Evidence from Afghanistan](#)"
- Burkhard Schipper, "[Sex Hormones, Choice under Risk, and Competitive Bidding](#)"

Session 5, Cholla: VOTING 1

- Rafael Hortala-Vallve, "[Does Size Matter? An Experiment on the Effects of District Magnitude on Voter Behaviour](#)"
- Melis Kartal, "[Laboratory Elections: Proportional Representation versus Majoritarian Rule](#)"
- Aniol Llorente-Saguer, "[Divided Majority and Information Aggregation: a Laboratory Experiment](#)"
- Marina Agranov, "[An Experimental Study of Multi-Candidate Elections](#)"

Friday, November 11, 1:20 pm – 2:40pm

Session 1, Coyote: AMBIGUITY

- Ayala Arad, "[Imprecise Datasets as a Source of Ambiguity: A Model and Experimental Evidence](#)"
- Peter Duersch, "[Benevolent and Malevolent Ellsberg Urns](#)"
- Andrew Schotter, "[Personality and Choice in Risky and Ambiguous Environments: An Experimental Study](#)"

Session 2, Quail: AUCTIONS 1

- Diego Aycinena, "[Determinants of Endogenous Participation in Auctions](#)"
- Lindsey Nagy, "[Incentivizing Early-Bidding Using Credits in Second-Price Internet Auctions](#)"
- Justin Burkett, "[Endogenous Budget Constraints in Auctions](#)"
- Garrett Milam, "[Auction Design for Land Use Policy: Thin Markets and Market Power](#)"

Session 3, Javalina: FIELD EXPERIMENTS 1

- Ting Jiang, "[Other-regarding Preferences, Culture and Corruption: Experimental Evidence from Japan, China, Netherlands and Italy](#)"
- Angelino Viceisza, "[To Remit, or Not to Remit: That is the Question. A Remittance Field Experiment](#)"
- Danila Serra, "[Participatory Accountability and Collective Action: Experimental Evidence from Albania](#)"
- James Murphy, "[A Field Experiment on Sharing in a Risky Environment. Evidence from Kamchatka, Russia](#)"

Session 4, Ocotillo: GENDER 2

- Katherine Baldiga, "[Gender Differences in Willingness to Guess](#)"
- Johanna Mollerstrom, "[Framing and Gender: It's all about the Women](#)"
- Muriel Niederle, "[Do Single-Sex Schools Make Boys and Girls More Competitive?](#)"

Session 5, Cholla: RECIPROCITY

- Aric Shafran, "[Reciprocity Across Countries](#)"
- Karim Sadrieh, "[The Detrimental Effect of Agent's Reciprocity in the Competition Amongst Principals](#)"
- Maros Servatka, "[Status Quo Effects in Fairness Games: Acts of Commission vs. Acts of Omission](#)"

Session 6, Canyon: GAMES 3

- Tracy Liu, "[Crowdsourcing with All-pay Auctions: A Field Experiment on Taskcn](#)"
- Timothy Shields, "[Transparency, Efficiency and the Distribution of Economic Welfare in Pass-Through Investment Trust Games](#)"
- Lucas Rentschler, "[Perfectly Discriminating Contests with Incomplete Information](#)"
- Barry Sopher, "[Partnership Protocols for Bilateral Trade with Incomplete Information: A Laboratory Investigation](#)"

Friday, November 11, 3:00pm – 4:20pm

Session 1, Coyote: CHARITABLE GIVING 1

- Michael Menietti, "[Fundraising Goals](#)"
- Anya Savikhin, "[Visibility of Contributions and Cost of Information: An Experiment on Public Goods](#)"
- Lucas Coffman, "[To Whom are We Donating?](#)"
- Peter DeScioli, "[Giving to whom? Altruism in Different Types of Relationships](#)"

Session 2, Quail: CONFLICT AND IDENTITY

- Natalia Candelo Londono, "[Social Exclusion and Identity: a Field Experiment with Hispanic Immigrants](#)"
- Roman Sheremeta, "[Resolving Conflicts by a Random Device](#)"
- Shi Qi, "[Group Outcomes and Reciprocity?](#)"
- Dan Houser, "[Promoting Cooperation with Out-groups](#)"

Session 3, Javalina: FINANCE

- Sean Crockett, "[Momentum Trading](#)"
- Sascha Fullbrunn, "[Thar "she" blows? Gender, Competition and Bubbles in Experimental Asset Markets](#)"
- Ciril Bosch-Rosa, "[Cognitive Abilities in Asset Markets](#)"
- Cary Deck, "[Asset Markets with Overlapping Generations](#)"

Session 4, Ocotillo: HOMEGROWN PREFERENCES

- Florian Zimmermann, "[Preferences for Consistency](#)"
- David Dickinson, "[Cognitive Depletion, Choice Consistency, and Risk Preferences](#)"
- David Eil, "[Hypobolic Discounting and Willingness-to-Wait](#)"
- Matthias Sutter, "[Experimental Choices and the Long-Term Relation to Field Behavior](#)"

Session 5, Cholla: LABOR 1

- Tanya Rosenblat, "[Ethnic Discrimination in an Experimental Labor Market](#)"
- Sebastian Goerg, "[Wage Discrimination of Migrant Workers and Students in China](#)"
- Jack Fanning, "[An Experimental Investigation of Employment Protection and Labor Substitutability](#)"
- Michael Vlassopoulos, "[Private and Social Incentives in Effort Provision: An Online Experiment](#)"

Friday, November 11, 4:40pm – 6:00pm

Session 1, Coyote: COGNITION

- Ned Augenblick, "[Cognitive Load, Memory and Randomization](#)"
- Matthew Taylor, "[Risk Aversion, Cognitive Ability, and Information Acquisition Across Real and Hypothetical Settings](#)"
- Sen Geng, "[Imperfect Perception of Calling Plan Costs and Simplicity Premium](#)"
- Victoria Prowse, "[Cognitive Ability, Strategic Sophistication and Learning](#)"

Session 2, Quail: COORDINATION

- Andrea Robbett, "[Local Institutions and the Dynamics of Community Sorting](#)"
- Maoliang Ye, "[Does Gradualism Build Coordination? A Theory and Experiments](#)"

Session 3, Javalina: INTERNET

- Michael Bailey, "[Measuring the Effectiveness of Targeted Advertising](#)"
- Siyu Yu, "[Pure Effect of Homophily on Friendship Formation: Online Field Experiments Using Renren.com](#)"
- Dawn Schrader, "[How Much Do People Value Privacy?](#)"
- Roy Chen, "[Endogenous Groups and Cooperation](#)"

Session 4, Ocotillo: PUBLIC GOODS 2

- David Johnson, "[Water Cooler Ostracism](#)"
- Sandra Maximiano, "[Information Targeting and Coordination: An Experimental Study](#)"
- Dorothea Herreiner, "[Punishment and Norm Enforcement in Public Good Games](#)"

Session 5, Cholla: SOCIAL PREFERENCES 2

- Eric Cardella, "[Strategic Guilt Induction](#)"
- Xiaofei (Sohpia) Pan, "[Social approval, Competition and Cooperation](#)"
- Li Hao, "[Honest Lies](#)"
- Greg Leo, "[Competitive Altruism](#)"

Friday, 7:00pm: Late Night Gathering (on the Palm Terrace)

Saturday, November 12, 8:00am – 9:00am

Plenary Session, Sonoran Ballroom

James Cox, “Decision under Risk: Mechanisms, Paradoxes, and Dual Calibrations”

Chair: Daniel Friedman

Saturday, November 12, 9:20am – 10:20am

Session 1, Coyote: GAMES 4

- Caleb Cox, “[Inequity Aversion and Advantage Seeking with Asymmetric Competition](#)”
- Marco Castillo, “[Revealed Preferences and Expectations: Evidence from Ultimatum Games](#)”
- Zachary Grossman, “[Inexpensive Talk](#)”

Session 2, Quail: GENDER 3

- David Wozniak, “[Gender, Age, and Ability Differences in the Demands and Effects of Performance Feedback for Competitions](#)”
- Daniel Jones, “[Gender Differences in Reputation Concerns: Prosocial Behavior in the Field and Lab](#)”
- Sherry Li, “[Gender, Group Identity and Social Preferences](#)”

Session 3, Javalina: METHODOLOGY

- Debajyoti Ray, “[Bayesian Rapid Optimal Adaptive Design: Applications Distinguishing Models of Risky Choice and Time Preference](#)”
- Sevgi Yuksel, “[Implementing Infinitely Repeated Games In the Laboratory](#)”
- Paul Healy, “[How To Pay Subjects: A Characterization of Incentive Compatible Payment Mechanisms](#)”

Session 4, Canyon: PUBLIC GOODS 3

- Ben Greiner, “[Imperfect Public Monitoring with Costly Punishment - An Experimental Study](#)”
- Haley Harwell, “[Punishment in Simple Games](#)”
- Gary Charness, “[Continuous Time and Communication in a Public-goods Experiment](#)”

Session 5, Palm: SOCIAL PREFERENCES 3

- Judd Kessler, “[Information and Fairness](#)”
- Katerina Sherstyuk, “[Does Religion and Ethnic Identity Influence Social Preferences? Evidence from Field Experiments in the Philippines](#)”
- David Gill, “[Desert and Inequity Aversion in Teams](#)”

Saturday, November 12, 10:40am – 12:00pm

Session 1, Coyote: AUCTIONS 2

- Husnain Ahmad, "[Reference Dependence in Second Price Auctions](#)"
- Erkut Ozbay, "[Auctioning Multiple Objects to Constrained Bidders](#)"
- Steven Y. Wu, "[Testing Canonical Tournament Theory: On the Impact of Risk, Social Preferences and Utility Structure](#)"
- Tim Salmon, "[An Investigation of the Average Bid Mechanism in Procurement Auctions](#)"

Session 2, Quail: ANOMALIES 2

- Alec Brandon, "[The Behaviorist Goes to Work: A Natural Field Experiment on Reference Dependent Labor Supply](#)"
- Joshua Tasoff, "[Overoptimism About Future Performance: Evidence From Rebate Experiments](#)"
- David Freeman, "[Rank-dependent Utility as a Unified Theory of Behavioural Anomalies](#)"

Session 3, Javalina: CHARITABLE GIVING 2

- Alex Imas, "[Conscience Accounting](#)"
- James Andreoni, "[Avoiding Altruism. A Field Experiment on Sorting and Charitable Giving](#)"
- Robert Gazzale, "[Revealed Preferences: Altruism when Relative Consumption and Donations May Matter](#)"
- Lise Vesterlund, "[How Low Can You Go? Donation Visibility in the Case of Multi Dimensional Status](#)"

Session 4, Canyon: COOPERATION

- David Goldbaum, "[Cooperation and Competition in the Emergence of Social Order](#)"
- Danyang Li, "[Image Motivation in Cooperative Behavior: Evidence from an Experimental Test](#)"
- Asen Ivanov, "[A Simple Approach for Organizing Behavior and Explaining Cooperation in Repeated Games](#)"
- Erte Xiao, "[Justification and Cooperation](#)"

Session 5, Palm: NEUROECONOMICS

- Jason Aimone, "[Post Traumatic Stress Disorder, Trust, and the Brain in Combat Veterans](#)"
- Ryan Webb, "[The Stochastic Neural Decision Process and Modeling Choice in a Mixed Strategy Game](#)"
- Agnieszka Tymula, "[Relating Risk Preference, Water Rewards, and Thirst: Wealth and Utility in Monkeys](#)"
- Alec Smith, "[Neural Predictors of Strikes in Asymmetric Information Bargaining](#)"

Saturday, November 12, 1:20pm – 2:40pm

Session 1, Coyote: ELICITATION

- Mike Urbancic, "[Testing Distributional Dependence in the Becker-DeGroot-Marschak Mechanism](#)"
- Stephanie Wang, "[Time Preference: Dynamic Elicitation and Applications](#)"
- Michael Kuhn, "[Estimating Time Preferences from Experimental Data: New Elicitation and Estimation Strategies](#)"
- Hong Chao, "[Reference Point and Risk Attitude: An Experimental Study](#)"

Session 2, Quail: FIELD EXPERIMENTS 2

- Andrew Zeitlin, "[Information and Coordination in Community-based Monitoring of Public Services](#)"
- Peter Twieg, "[Can More Be Less? An Experimental Test of the Resource Curse](#)"
- Justin Rao, "[Endgame: Time Preference and Demand for Beliefs Two Weeks Before the Apocalypse](#)"
- Klaus Abbink, "[In-group favouritism and out-group discrimination in naturally occurring groups](#)"

Session 3, Javalina: GAMES 5

- Isabel Trevino, "[Costly Information Acquisition in a Speculative Attack: Theory and Experiments](#)"
- Sherry Forbes, "[Defensive Strategies for Deterrence: An Application to Piracy](#)"
- Malcolm Kass, "[The UN in a Lab. Examining the Effectiveness of Cost Sharing in Nested PD Games](#)"
- Charles Holt, "[The Paradox of Misaligned Profiling: Experimental Evidence](#)"

Session 4, Canyon: GENDER 4

- Megan O'Malley, "[Gender Differences in Competition Attitudes: A Developed Country Phenomenon?](#)"
- Thomas Buser, "[Competitiveness and Career Choice](#)"
- Lijia Wei, "[Gender and Bidding Heterogeneity in Buy and Sell Auctions](#)"

Session 5, Palm: IO

- Ammara Mahmood, "[An Experimental Investigation of Behaviour Based Price Discrimination](#)"
- Utteeyo Dasgupta, "[Selection into Skill Accumulation: Evidence using Observational and Experimental Data](#)"
- Rimvydas Baltaduonis, "[Flicking the Switch: Retail Demand-Side Response under Alternative Electricity Pricing Contracts](#)"
- Andrew Kloosterman, "[Directed Search with Heterogeneous Firms: An Experimental Study](#)"

Session 6, Desert: LABOR 2

- Ebru Isgin, "[Occupational Choice and Labor Market Performance](#)"
- Ericka Scherenberg Farret, "[Is Your Employee Motivated or does She Follow Rules?](#)"

- David Owens, "[The Control Premium: A Preference for Payoff Autonomy](#)"
- Olivier Armantier, "[Framing of Incentives and Effort Provision](#)"

Saturday, November 12, 3:00pm – 4:20pm

Session 1, Coyote: EMOTIONS AND GAMES

[Session Abstract](#)

- Tamar Kugler, "[Regret, Consequential Thinking and Trust Game Behavior](#)"
- Terry Connolly, "[Emotion, Decision, and Risk: Betting on Gambles versus Betting on People](#)"
- Zvika Neeman, "[Aggressiveness, Anxiousness and Entry Games: How Trait Emotions Affect Strategic Behavior](#)"
- Karina Cordova, "[The Impact of Anxiety on Productivity and Decision-Making: Evidence from Laboratory Experiments](#)"

Session 2, Quail: GAMES 6

- Daniel Fragiadakis, "[Identifying Predictable Players in Two-Person Guessing Games](#)"
- Alex Roomets, "[A Mechanism to Elicit Continuation Values in Experiments](#)"
- Giovanna Devetag, "[An Eye-tracking Study of Feature-based Choice in One-shot Games](#)"

Session 3, Javalina: MARKETS

- Luba Petersen, "[Nonneutrality of Money and Expectations in Experimental General Equilibrium Environment](#)"
- Kenan Kalayci, "[Confusopoly: Competition and Obfuscation in Markets](#)"
- Erin Hamilton, "The effect of unexpected company failures: An attempt to experimentally destroy a market"
- John Spraggon, "[Price Controls and Banking in Emissions Trading: An Experimental Evaluation](#)"

Session 4, Canyon: REAL TIME

- Jim Parco, "[Credible Signaling and Nonrandom Matching in a Real-Time Trust Dilemma](#)"
- Jean Paul Rabanal, "[Looking Underwater in the Lab](#)"
- Nilanjan Roy, "[Reciprocal Favor Exchange: An Experiment in Continuous Time](#)"
- Ryan Oprea, "[Games of Economic Survival](#)"

Session 5, Palm: VOTING

- King King Li, "[The Dominated Candidate Effect in Voting: Evidences from Laboratory Experiments and German Federal Elections](#)"
- Sotiris Georganas, "[Coalition Formation in a Legislative Voting Game](#)"
- Jared Barton, "[Negative Campaigning, Fundraising, and Voter Turnout: A Field Experiment](#)"
- Martin Dufwenberg, "[Thanks but No Thanks: Non-Intervention Agreements & Land Conflict Avoidance](#)"

Session 6, Desert: SOCIAL CHOICE

- Sheryl Ball, "[Experimental Social Choice: The Impact of Nosy Preferences on Efficiency](#)"
- Alexander Brown, "[An Experimental Examination of an Envy-Free Mechanism](#)"
- Andrew Barr, "[Private Information Revelation Under Various Collective Action Institutions](#)"
- Darryl Seale, "[Sequential Observation and Selection by Committee](#)"

Saturday, November 12, 4:40pm – 6:00pm

Session 1, Canyon: NETWORKS

- Eyrán Gisches, "[Choice of Routes in the Braess Paradox under Atomic Splittable Flow](#)"
- Michael McBride, "[The Enemy You Can't See: An Investigation of the Disruption of Dark Networks](#)"
- James Walker, "[Punishment Networks in Public Good Games: Experimental Evidence](#)"
- Kevin McCabe, "[An Experimental Study of Trust Networks](#)"

Session 2, Palm: PUBLIC GOODS 4

- Jonathan Lafky, "[Birth, Death and Public Good Provision](#)"
- Kate Silz Carson, "[Rank, Social Group Identity, and Punishment in a Public Goods Game: Preliminary Results](#)"
- Justin Krieg, "[Behavioral Spillovers in Simultaneous Public Goods Games: Impact of Incentives and Information](#)"

Session 3, Desert: RISKY CHOICE

- Ragan Petrie, "[On the Heterogeneity of Children's Decision Making: Risk Preferences](#)"
- Vjollca Sadiraj, "[Paradoxes and Mechanisms for Choice under Risk](#)"
- Radovan Vadovic, "[Monotonicity: An Experimental Test](#)"
- J. Todd Swarthout, "[The Independence Axiom and the Bipolar Behaviorist](#)"

Session 4, Mesa: SOCIAL PREFERENCES 4

- Birendra Rai, "[Testing the Analytical Framework of Other-Regarding Preferences](#)"
- Tomoki Kitamura, "[Fairness under Risky Environments: An Experimental Analysis](#)"
- Peter Kriss, "[On the Robustness of Preferences Underlying Punishment](#)"
- Ryan Murphy, "[Measuring Social Preferences and Predicting Cooperation](#)"

In-group favouritism and out-group discrimination in naturally occurring groups

Klaus Abbink

Monash University

ABSTRACT:

We report an experiment on a multi-player allocation game. One player, the allocator, divides a sum of money between three large groups of 20 individuals each, and him- or herself. The groups consist of supporters of the two main political movements in Thailand, the yellow and the red shirts, and a third group of politically unattached individuals. The allocator is a randomly drawn member of one of the groups. This setting allows us to distinguish between in-group favouritism (allocating more to the own group than to neutrals) and out-group discrimination (allocating less to the opposing group than to neutrals). We also run a control treatment with artificially labelled groups. We find evidence for both favouritism and discrimination, which is stronger in natural than in artificial groups. In contrast to the political claims of the movements, differences between yellow and red supporters cannot be detected.

Author(s): Klaus Abbink, Donna Harris

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An Experimental Study of Multi-Candidate Elections

Marina Agranov

New York University

ABSTRACT:

While many collective decisions entail more than two alternatives, the literature, both theoretical and experimental, has mostly focused on two-candidate elections. In this paper, we study theoretically and experimentally several electoral systems in which multiple candidates may compete with one another.

We analyze plurality elections and runoff systems. Plurality elections entail one round in which the candidate receiving the highest fraction of votes wins the election. In a runoff system, there are potentially two stages of the election. In the first stage, the candidate with the most votes who passes the threshold wins the election. Absent such a candidate, the top two candidates proceed to a second stage that determines a winner using simple majority. We study two such systems: the most commonly used system characterized by a threshold of 50% and a system characterized by a threshold of 100% (that always culminates in a second round). When agents' preferences are heterogeneous and there is uncertainty over the volume of supporters of different types, we identify several insights (in line with Bouton, 2011).

First, under runoff systems and in line with Duverger's hypothesis, more than two candidates may receive positive support in equilibrium. This is in contrast to plurality systems, that generate equilibrium support for only two candidates.

Second, and contrary to Duverger's hypothesis, for a wide range of parameters, all equilibria in runoff systems with a 50% threshold are strategic: they entail some voters supporting their second preferred candidate in order to minimize the chances their least preferred candidate wins. Results are different for runoff systems with a 100% threshold. In these systems, strategic voting in the first stage never constitutes part of an equilibrium.

These insights are taken into the experimental lab. In an array of experiments, we study the performance of these three institutions in terms of the welfare and preference revelation they allow for.

Author(s): Marina Agranov, Salvatore Nunnari, Leeat Yariv

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Reference Dependence in Second Price Auctions

Husnain Ahmad

University of Arizona

ABSTRACT:

In second price auctions with independent private values it is a well known result that bidders bid their values regardless of risk attitudes. This paper modifies the payoff function to allow for gain-loss utility with respect to a reference point. Value bidding is no longer the weakly dominant strategy; instead the model predicts that in equilibrium bidders either overbid or underbid. Furthermore, the equilibrium bidding strategy need not be increasing in value although it is increasing in the reference point. For endogenous reference points the model predicts that more bidders overbid than underbid and that bidders bid more aggressively as the number of bidders or the reserve price increases.

Author(s): Husnain Fateh Ahmad

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Post Traumatic Stress Disorder, Trust, and the Brain in Combat Veterans

Jason Aimone

George Mason University

ABSTRACT:

The combat exposure experienced by the thousands of soldiers that have served in Operation Iraqi Freedom and Operation Enduring Freedom leads to a large number of cases of combat related Post-Traumatic Stress Disorder (PTSD). Recently, an increasing number of studies have examined the effects of PTSD on the decision-making and lives those who have the disability. Until now, no studies have investigated how combat-related PTSD affects a soldier's decision-making requiring trust. In our study of combat-controlled veterans with and without PTSD, we investigate, utilizing fMRI, the effects of PTSD on both the behavior and neurological underpinnings of decisions to trust. Counter to what may initially be expected, PTSD is shown to have a strong positive correlation with trust rates. This correlation is shown to be robust to how PTSD is measured, whether on a continuous scale derived from a self-reported PTSD Checklist (PCL) or from the Clinician Administered PTSD Scale (CAPS). The significant increases in amounts of trust occur primarily in response to previously experiencing reciprocations of trust, where individuals with PTSD are observed experiencing significantly higher levels of activation in the dorsal lateral prefrontal cortex (dlPFC). The initial results suggest that individuals with PTSD are approaching post-betrayal decisions in a way closely resembling the trust decisions of those without PTSD, while the activation found in the dlPFC suggests that post-reciprocation trust decisions made by individuals with PTSD are made in a more calculated, impersonal manner which leads to the higher observed rates of trust.

Author(s): Jason A. Aimone, J. Eisman, D. Graham, B.C. Frueh, K. McCurry, P. Chiu, and
Brooks King-Casas

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Avoiding Altruism. A Field Experiment on Sorting and Charitable Giving

James Andreoni

University of California, San Diego

ABSTRACT:

We study the determinants of small-scale acts of kindness by running a randomized experiment within the Salvation Army's Red Kettle campaign. We varied two key factors: the nature of the social interaction (from a "silent" opportunity to a verbal request) and the position/number of solicitors (at one or both of the easily visible doors, to make it necessary to seek the solicitor or harder to avoid respectively). In the silent conditions, we find no evidence of seeking the solicitor or avoidance. In the request conditions, there is significant avoidance and a small, statistically insignificant degree of seeking. Consistent with limited-to-no seeking, donations essentially doubled in two-Door conditions compared to their one-Door counterparts. Asking has a powerful influence on giving as well as sorting: a polite, obvious request increased donations by 57%. Together, the results point to a limited role for altruism as the motivation for giving in this setting. |

Author(s): James Andreoni, Justin Rao, Hannah Trachtman

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Imprecise Datasets as a Source of Ambiguity: A Model and Experimental Evidence

Ayala Arad

University of California, Berkeley

ABSTRACT:

In many circumstances evaluations are based on empirical data. However, some observations may be imprecise meaning that it is not entirely clear what occurred in them. We address the question of how beliefs are formed in these situations. The individual in our model is essentially a “frequentist” ;. He first makes a subjective judgment about the occurrence of the event for each imprecise observation. This may be any number between zero and one. He then evaluates the event by its “subjective” frequency of occurrence. Our model connects the method of processing imprecise observations with the individual’s attitude towards ambiguity. An individual who in imprecise observations puts low (high) weight on the possibility that an event occurred is ambiguity averse (loving). An experiment supports the main assertions of the model: with precise data subjects behave as if there were no ambiguity whereas with imprecise data subjects turn out to be ambiguity averse.

Author(s): Ayala Arad and Gabrielle Gayer

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Framing of Incentives and Effort Provision

Olivier Armantier

Federal Reserve Bank of NY

ABSTRACT:

The object of this paper is to better understand how effort provision is affected when workers face economically equivalent employment contracts framed as a combination of bonuses and penalties. Using a simple prospect theory model, we show that the link between incentive framing and effort provision is ambiguous: small penalties yield higher effort (because of loss aversion), but large penalties may decrease effort (because of diminishing sensitivity). To test the model's predictions, we conduct a framed field experiment in which economically equivalent incentives contracts are framed as menus of either i) bonuses, ii) penalties, and iii) bonuses and penalties. Consistent with our model, we find that performance and effort are highest when bonuses and penalties are combined. These results suggest that both loss aversion and diminishing sensitivity can have explanatory power for labor decisions.

Author(s): Olivier Armantier and Amadou Boly

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Cognitive Load, Memory and Randomization

Ned Augenblick

University of California, Berkeley

ABSTRACT:

A large body of past work has found that when laboratory subjects consciously try to randomize, such as in a repeated game with a mixed strategy equilibrium, they negatively autocorrelate. We hypothesize that deliberate decision-making, in its very nature, makes randomization difficult, where in contrast, automatic processing does not. Laboratory subjects played a 2x2 mixed-strategy game and we varied the time between decisions, and the cognitive load, by adding a word search task played between rounds. We find that factors which make it harder to remember the last action, cognitive load and long wait times, lead to much better randomization. We confirm this finding using field data from soccer shootouts in which a goalie plays a number of times in quick succession, as compared to those previously studied, which were taken one-off during the course of the game. In shootouts, goalies tend to negatively autocorrelate, whereas shooters, who only shoot once each, do not. In both settings, a key to randomizing appears to be not trying to.

Author(s): Ned Augenblick and Justin M. Rao

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Determinants of Endogenous Participation in Auctions

Diego Aycinena

Universidad Francisco Marroquin

ABSTRACT:

While the bidding behavior of auction participants has been widely studied experimentally, costly entry decisions of potential bidders have been largely neglected. This is particularly important because expected revenue is increasing in the number of participating bidders. Thus entry strategies across auction formats seem a crucial aspect for the revenue ranking of auction mechanisms. Although theorists have speculated -reaching different conclusions (i.e. Engelbrecht-Wiggans, 2001; Klemperer 2002)- on the entry strategies of potential bidders across auction formats, experimental evidence is lacking. In this paper we present experimental evidence on bidders' entry strategies in first-price and ascending-clock auctions. In addition, we explore to what extent individual factors such as cognitive abilities, competitiveness, gender, and risk attitude affect costly endogenous participation in auctions.

Author(s): Diego Aycinena, Hernan Bejarano, and Lucas Rentschler

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Measuring the Effectiveness of Targeted Advertising

Michael Bailey

Stanford

ABSTRACT:

Advertisers are demanding more accurate estimates of the impact of targeted advertisements, yet no study proposes an appropriate methodology to analyze the effectiveness of a targeted advertising campaign, and there is a dearth of empirical evidence on the effectiveness of targeted advertising as a whole. Because the targeted population is more likely to respond to the advertising, there is a large degree of selection bias if the experimenter does not measure how the targeted and un-targeted population respond in the absence of the advertising intervention. We derive the appropriate econometric estimator of the effectiveness of targeted advertising and show that a difference-in-differences estimator decomposes the total effect into selection bias and treatment effects components. Using a natural experiment from several large-scale online advertising campaigns, we find that the treatment effect on the targeted group is about twice as large for brand-related searches; naive estimates of the impact of targeting using previous approaches that ignore the selection bias leads to an overestimation of the lift from targeting on brand-related searches by almost 1,000%.

Author(s): Michael Bailey and Ayman Farahat

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Gender Differences in Willingness to Guess

Katherine Baldiga

Harvard University

ABSTRACT:

Multiple-choice tests play a large role in determining academic and professional outcomes. Performance on these tests hinges not only on knowledge of the material, but also on the strategies employed by the test taker, in particular, deciding when to skip questions. In this paper, we present the results of an experiment that explores whether women skip more questions than men. The experimental test consists of actual practice questions from the World History and U.S. History SAT II subject tests; we vary the size of the penalty imposed for a wrong answer and the salience of the evaluative nature of the task. We find that when no penalty is assessed for a wrong answer, all test-takers answer every question. But, when there is a small penalty for wrong answers, women answer significantly fewer questions than men. We see no differences in knowledge of the material or confidence in these test-takers, and differences in risk preferences fail to explain the observed gap. The gender gap is largest when the task is explicitly framed as an SAT, leading us to conclude that differences in competitive attitudes may drive the gender differences we observe. Finally, we show that the higher rate of skipping questions among women has a significant and negative impact on their test scores in this experiment.

Author(s): Katherine Baldiga

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Responsibility and Intentionality in Economic Games

Sheryl Ball

Virginia Tech

ABSTRACT:

A substantial body of economic research has demonstrated that individuals display a variety of types of other regarding behavior. For example, individuals will reduce their own wealth in order to improve their counterpart's payoff. In other cases individuals will pay to sanction others for not behaving fairly. Falk, Fehr and Fischbacher (2008) use the Moonlighting Game to show that other regarding behavior is motivated by a counterpart's intentions. Negative moves are sanctioned and positive moves are rewarded only when made by the counterpart, not when the same moves are determined randomly. We explore the effects of direct and indirect responsibility by letting decision makers choose whether the first mover in a game selects their own move or whether it is determined randomly. We find that individuals value responsibility and, therefore, react differently than when the counterpart had no control over whether they or the random device chose their move.

Author(s): Ellen Green, Sheryl Ball, Landis Atkinson, and Aida Cruz-Folgar

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Flicking the Switch: Retail Demand-Side Response under Alternative Electricity Pricing Contracts

Rimvydas Baltaduonis

Gettysburg College

ABSTRACT:

The deregulation of electric power industry around the world prompted the need to engage retail consumers more directly into the newly formed electricity markets. Various retail electricity pricing schemes have been suggested and implemented: from traditional flat rate to time-of-use, critical-peak and even real-time pricing. Despite the hundred-billion-dollar value that the industry creates, the economics literature that evaluates the relative performance of such pricing schemes remains sparse. An experimental economics study that directly compares the efficiency of flat rate, time-of-use and real-time pricing contracts is reported in this paper. The effectiveness of these pricing schemes to facilitate efficient demand-side responses to supply-side cost shocks is also investigated. Significant allocative inefficiencies are identified under less dynamic pricing schemes. On the other hand, the real-time pricing results in most efficient retail consumption patterns, but only when the information on wholesale market prices is instantly and readily available.

Author(s): Rimvydas Baltaduonis, Tihomir Ancev, Tim Capon, Taylor Smart

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Private Information Revelation Under Various Collective Action Institutions

Andrew Barr

University of Virginia

ABSTRACT:

We examine collective action settings where a tension exists between the individually optimal recommendation and that which is best for the group. We develop a model to illustrate how this tension impacts individual private information revelation in a collective action environment and how it might result in inefficient collective action decisions. We then test for the existence of this inefficiency using an experiment in which we both elicit private information as well as examine the degree to which the recommendations of others impact an individual's recommendation under various recommendation-gathering institutions.

Author(s): Andrew Barr and Michael Schreck

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Negative Campaigning, Fundraising, and Voter Turnout: A Field Experiment

Jared Barton

George Mason University - ICES

ABSTRACT:

We explore the possibility that framing an election as a possible loss, rather than a gain, triggers a larger behavioral response from voters. In a field experiment, we randomize two local office candidates' appeal for support to like-minded partisans between positive arguments for the candidate (potential gains) or as negative arguments against the opposition's potential victory (losses). While we find no difference between the treatments in terms of campaign contributions, we do find that partisans receiving the negative message are more likely to go to the polls and vote. Our results suggest that negative campaigns, relative to positive, are more likely to motivate the candidate's base.

These results have important implications for public policy. Public officials provide public goods through their service in office, and making the effort to vote a candidate into office is part of the provision process. While partisans each individually desire their side to win the election, there may still be free-riding on others votes and contributions. One way parties and campaigns can motivate partisans is by reframing elections not as possible gains toward better policy, but as possible losses to the opponents who will undo past policy victories. The latter framing--so-called "negative campaigning"--seems to trigger a larger behavior response through loss aversion.

Author(s): Jared Barton, Marco Castillo, Ragan Petrie

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'O Sole Mio. An Experimental Analysis of Weather and Risk Attitudes.

Anna Bassi

UNC at Chapel Hill

ABSTRACT:

This paper provides direct experimental evidence of the effect of sunshine on individual risk taking. We show that, after controlling for other variables such as gender, religion and other background variables, sunshine promotes risk taking. This effect is present whether sunshine is measured with objective or subjective measures.

Author(s): Anna Bassi, Riccardo Colacito, and Paolo Fulghieri

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Cognitive Abilities in Asset Markets

Ciril Bosch-Rosa

UCSC

ABSTRACT:

Preliminary abstract for experiments that will be run during the months of September and October.

Bubbles in asset market experiments have been extensively studied, but typically the literature has centered in modifying only the structure of the market. We will present a series of experiments where we leave the structure of the classic Smith et al. (1988) experiment untouched, but modify the subject pools by separating participants by their cognitive ability. Using different tools we will diagnose and rank subjects by their backward induction ability, level-k and risk aversion levels (separately). Based on previous literature such as Hirota and Sunder (2006) or Monnin (2004) we hypothesize that by creating high and low-level pools of subjects, and by comparing the outcomes of these markets to the benchmark results, we will shed some additional light upon the driving force behind bubbles in this type of lab experiments.

Author(s): Ciril Bosch-Rosa

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The Behavioralist Goes to Work: A Natural Field Experiment on Reference Dependent Labor Supply

Alec Brandon

University of Chicago

ABSTRACT:

Income targeting in industries where workers are free to set their own hours is arguably the most economically significant example of reference dependent preferences in naturally occurring settings. If generalizable to other environments and samples, income targeting would have important implications for policy makers and myriad fields in economics. This study designs a set of field experiments that links transitory changes in income to labor supplied and effort provision amongst single-vendor shopkeepers in one of Asia's largest bazaars. Consistent with neoclassical theory and theories of reference dependent preferences, vendors supply more hours when presented with an expected transitory increase in hourly wages. When vendors earn an unexpected windfall early in the day they surpass their daily income target, but inconsistent with theories of reference dependent preferences vendors do not respond with any change in their hours worked. The data also speaks to the possibility of reference dependent preferences over other dimensions of labor supplied but we do not find any change in effort provision elicited in subsequent sales negotiations with vendors.

Author(s): Steffen Andersen, Alec Brandon, Uri Gneezy, John A. List

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An Experimental Examination of an Envy-Free Mechanism

Alexander Brown

Texas A&M

ABSTRACT:

Recent economic concerns for equity have pushed game theorists to study envy-free mechanisms. Though not incentive compatible, these mechanisms implement efficient equilibrium outcomes where no agent prefers the consumption of any other agent to their own. In experimental allocation decisions between two players, an envy-free auction mechanism achieves similar efficiency and far greater no-envy than ultimatum bargaining. Unsophisticated subject bidding rather than coordination failure is primarily responsible for the departure from Nash equilibrium behavior in the envy-free auction, as bidding strategies vary greatly among subjects. Subject bidding behavior can best be characterized by a quantal response equilibrium.

Author(s): Alexander L. Brown and Rodrigo A. Velez, Texas A&M University

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Endogenous Budget Constraints in Auctions

Justin Burkett

University of Maryland, College Park

ABSTRACT:

Budget constraints in auctions for valuable assets introduce strategic considerations for the bidders that are not present in the standard auction models. The current literature argues that they are significant, in that important results from the standard auction literature no longer apply when budget constraints are present. A textbook example is that the well-known revenue equivalence theorem fails to hold in the presence of budget constraints. However, the models that generate these results assume that the process generating the budget constraints is unaffected by a change in auction rules (i.e. they are exogenous).

Author(s): Justin Burkett

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Competitiveness and Career Choice

Thomas Buser

Amsterdam School of Economics

ABSTRACT:

Experimental findings of a large gender gap in competitiveness have recently received a lot of attention and are seen as a potential cause of gender differences in labour market outcomes. But whether competitiveness indeed predicts career choices has not so far been tested empirically. We run a classroom experiment with Dutch high school students measuring their competitiveness and risk attitudes and correlate the results with their choice of academic profile (which is a strong predictor of future university major). We find strong gender differences both in economic preferences (boys are more competitive and risk taking) and in profile choice (boys are more likely to go for the most challenging and prestigious profile). Competitive students of both genders are more likely to pick the most challenging profile and risk seekers of both genders are more likely to opt for the economics profile. These results provide clear evidence that competitiveness and risk attitudes have a strong impact on career choices.

Author(s): Thomas Buser, Muriel Niederle and Hessel Oosterbeek

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Strategic Guilt Induction

Eric Cardella

University of Arizona

ABSTRACT:

Guilt averse agents are motivated to meet the expectations of others, even at the expense of their own material payoff. Several experimental studies have found results consistent with guilt averse motivations in games. However, there are strategic implications of guilt aversion, which can impact economic outcomes in important ways, that have yet to be explored. I introduce a game that admits the possibility for agents to induce guilt upon others in a manner consistent with the method for inducing guilt posited by Baumeister, Stillwell, and Heatherton (1994). This enables me to then experimentally test whether agents attempt to influence the behavior of others by strategically inducing guilt. Subsequently, I test whether guilt induction is an effective mechanism for influencing the behavior of others. Lastly, the design enables me to test whether agents exhibit higher degrees of trust when they are given an opportunity to induce guilt. Furthermore, I appeal to the Battigalli and Dufwenberg (2007) model of simple guilt and derive conditions under which effective guilt induction can be supported as an equilibrium of the psychological game considered.

Author(s): Eric Cardella

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Revealed Preferences and Expectations: Evidence From Ultimatum Games

Marco Castillo

George Mason University

ABSTRACT:

Behavior in the ultimatum game is modeled by exploiting standard nonparametric utility theory with the monotonicity assumption relaxed to a condition termed quasi-monotonicity. Proposers' beliefs about responder behavior are likewise modeled nonparametrically, imposing only the restriction that proposers know responders have well-behaved, quasi-monotone preferences. Proposers are not assumed to be expected-utility maximizers. Their preferences over lotteries need only satisfy a much weaker condition. These assumptions suffice for player behavior to adhere to GARP, thus yielding straightforward testable implications in a completely nonparametric setting. Eighty three percent of proposers and sixty percent of responders make choices consistent with having rational, quasi-monotone preferences and beliefs. Tolerating infinitesimally small violations of rationality raises these proportions to ninety four percent and eighty percent, respectively. Our tests of well-behaved preferences and beliefs have high power against a variety of alternatives. We find strong evidence against convexity of preferences. Importantly, the failure of convexity is due to inconsistencies across games rather than within games suggesting behavior consistent with menu-dependent preferences or beliefs. These experimental data imply restrictions that allow partial recovery of players' preferences and beliefs which, in turn, yield informative nonparametric bounds on player behavior in counterfactual games of proposal and response. Finally, our approach suggests that the presence of rational behavior might be informative in other games since its presence might require additional restrictions on preferences and/or beliefs.

Author(s): Marco Castillo and Phil Cross

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Reference Point and Risk Attitude: An Experimental Study

Hong Chao

Shanghai Jiao Tong University

ABSTRACT:

Previous researches about the relationship between reference point and risk attitude have produced mixed results. Some studies find that prior gains induce decision makers to engage in greater risk averse while prior losses induce greater subsequent risk seeking, others report an opposite result. Instead of studying the role of prior gain or loss as a solo reference point, this paper investigates the importance of relative economic status toward one's risk attitude as we allow it to mingle with the effect of prior gain or loss in an experiment. We find that when subjects suffer a larger prior loss than their peers, they tend to engage in significantly greater subsequent risk seeking than when they suffer a smaller prior loss compared to their peers. However, the relative economic status does not generate an effect when subjects experience a prior gain. These results may complement foregoing studies on prospect theory and have the potential to improve our understanding about people's varying risk attitude under different situations.

Author(s): Hong Chao; Xiangdong Qin; Zexi Lu

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Continuous Time and Communication in a Public-goods Experiment

Gary Charness

UC Santa Barbara

ABSTRACT:

Author(s): Gary Charness

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Momentum Trading

Sean Crockett

Baruch College City University of New York

ABSTRACT:

Author(s): Sean Crockett

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Markets and Morality: How Does Competition Affect Moral Judgment?

Daniel Chen

Duke University School of Law

ABSTRACT:

Scholars since Hume and Smith have debated possible causal connections between market experiences and moral beliefs. Of particular interest today are questions related to incentive designs: for example, could the structure of employment affect moral attitudes? Here, I study the impact of employment structure on three normative issues: utilitarian versus nonutilitarian values, other-regarding preferences, and charitable donations. Through a labor market intermediary, I randomly assigned workers to competitive or piece-rate work conditions. The groups were given a moral question posing a conflict between utilitarian and non-utilitarian values, and offered a choice to make a charitable donation. The moral question was accompanied by an illustration that primed out-group considerations. Competitively structured work experiences increased non-utilitarian value choices, non-utilitarian commitments towards out-group members, and donations by productive workers.

Author(s): Daniel L. Chen

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Endogenous Groups and Cooperation

Roy Chen

University of Michigan

ABSTRACT:

Endogenous choice of social groups is an important but underexplored aspect of social identity. While group membership is frequently voluntary in real-world situations, most studies of group effects limit their analysis to either pre-determined or induced and fixed groups. Using the microfinance website Kiva (kiva.org) as a guide, I separately examine how endogenous choice of groups and intergroup comparison affect pro-social behavior in a laboratory setting. The results show that allowing subjects to have some choice over their group membership is effective in increasing cooperation, while intergroup comparison is only effective when it interacts with endogenous choice. Finally, I calibrate a learning model incorporating social preferences, yielding estimates of the subjects group-contingent other-regarding preferences.

Author(s): Roy Chen

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To Whom are We Donating?

Lucas Coffman

Ohio State University

ABSTRACT:

Abstract We experimentally show that fundraisers, even when completely arbitrary, can decrease the difference in donations across charities. We elicit donations for charities either directly or through an intermediary. The intermediary has no special knowledge about the charity, makes no commission, never interacts with the donor, and does not know the donors identities. When donations are direct, there exist large, significant differences in amounts received by the charities. However, when donations are collected through the arbitrary fundraiser the charities now receive statistically indistinguishable donations. The convergence in donations is a result of the less-preferred charities now receiving larger gifts.

Author(s): Lucas C Coffman

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Emotion, Decision, and Risk: Betting on Gambles versus Betting on People

Terry Connolly

University of Arizona

ABSTRACT:

We examined the effects of two emotions, fear and anger, on risk-taking behavior in two types of tasks: Those in which uncertainty is generated by a randomizing device (“lottery risk”) and those in which it is generated by the uncertain behavior of another person (“person-based risk”). Participants first completed a writing task to induce fear or anger. They then made choices either between lotteries (Experiment 1) or between actions in risky two-person decisions (Experiments 2 and 3). The experiments involved substantial real-money payoffs. Replicating earlier studies (which used hypothetical rewards), Experiment 1 showed that fearful participants were more risk-averse than angry participants in lottery-risk tasks. However—the key result of this study—fearful participants were substantially less risk-averse than angry participants in a two-person task involving person-based risk (Experiment 2). Experiment 3 offered options and payoffs identical to those of Experiment 2 but with lottery-type risk. Risk-taking returned to the pattern of Experiment 1. The impact of incidental emotions on risk-taking appears to be contingent on the class of uncertainty involved. For lottery risk, fear increased the frequency of risk-averse choices and anger reduced it. The reverse pattern was found when uncertainty in the decision was person-based. Further, the effect was specifically on differences in willingness to take risks rather than on differences in judgments of how much risk was present. The impact of different emotions on risk-taking or risk avoiding behavior is thus contingent on the type, as well as the degree, of uncertainty the decision maker faces.

Author(s): Tamar Kugler, Terry Connolly and Lisa D. Ordóñez

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Symposium Organizers:

Terry Connolly and Tamar Kugler

University of Arizona

ABSTRACT:

Research on the role of emotion in individual decision making has developed relatively rapidly in the past decade, but has been slow to develop in the context of interactive decisions. The four papers in this symposium suggest some of the potential for moving in this direction. Connolly et al (Paper 1) report sharply reduced sends in Trust Games when Senders were either prompted to consider the possible regrets that might flow from their choices or when they were simply led to consider the Responder's likely reaction to different sends. They infer that participants not so prompted engage in little consequential thinking, and thus are poorly modeled by any utility-maximizing models. Kugler et al (Paper 2) show evidence that risks arising from a randomizing device are treated differently from those arising from the choices of another individual. Specifically, fearful participants were more risk-averse than angry participants in lottery-risk tasks, but substantially less risk-averse than angry participants in a two-person task involving person-based risk.

In Studies 1 and 2, emotions were externally induced by experimental treatments. Neeman et al (Paper 3) relied instead on participants' personality characteristics, specifically anxiety and aggressiveness. In a market-entry game, one set of participants were given information regarding their opponent's personality. They found that anxious players enter the market less, while aggressive players enter more (for a given level of anxiousness). They also found that the entry decision is systematically affected by the personality type of the competitor. Angelucci et al (Paper 4), report on the effects on individual-level decision behavior of anxiety induced by watching movie clips. Preliminary results show that anxious subjects did worse on a math quiz, had lower expectations of their future performance, and were more risk averse than neutral controls, suggesting that anxiety will have important effects in interactive decisions. Special interest attaches to their use of physiological measures of anxiety (Cortisol in the saliva) in addition to self-report measures. Taken together the four papers suggest both methodology and substantive issues for future studies of emotions in experimental games.

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The Impact of Anxiety on Productivity and Decision-Making. Evidence from Laboratory Experiments

Karina Cordova

University of Arizona

ABSTRACT:

In this paper we analyze how coping with anxiety affects execution of self-control and impacts the decision-making process. In a series of laboratory experiments, we manipulated emotions through the use of movie clips. One group viewed a clip that induced sadness and anxiety, while another group viewed a documentary that does not alter emotions. In addition to measuring anxiety through the typical self-report measures, we also measured stress levels objectively by administering cortisol saliva tests. Cortisol is known as the “stress hormone” and has been shown to increase with levels of anxiety. We gave both control and treatment groups a baseline cortisol saliva tests before they viewed the movie clip and then a second test immediately after viewing the clip. As predicted, treatment subjects showed a significant increase in cortisol as compared to controls. These results are independent of the self-reported level of stress, showing that the experimental manipulation of anxiety was indeed effective. We examine the effect of anxiety on several outcomes: productivity as measured by subjects performance on math quizzes, risk preferences through their choices over several lotteries, nutritional choices when picking a snack, expectations about future performance, and decisions to invest. Our main hypothesis is that negative emotions can lead to suboptimal decisions. Preliminary results show that subjects in the anxiety condition perform worse on a math quiz, have lower expectations on future performance, and are more risk averse than those individuals in the neutral emotion condition.

Author(s): Manuela Angelucci, Anna Breman, Karina Cordova and Lisa Ordonez

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Inequity Aversion and Advantage Seeking with Asymmetric Competition

Caleb Cox

University of North Carolina

ABSTRACT:

This paper experimentally studies a three-player ultimatum game with competition between two proposers with unequal cake sizes. In the experiment, two proposers (the big and the small) simultaneously submit offers to one responder, who may accept at most one offer. The big proposer starts with a \$12 or \$24 cake, while the small proposer starts with an \$8 cake. Responders choose between offers by (i) setting a minimum acceptable offer from the small proposer and (ii) setting a conditional minimum acceptable offer from the big proposer, given the small proposer's offer. Unlike previously studied cases of symmetric proposer competition, the predictions of many social preference models for this environment differ substantially from self-interested money maximization. Under general assumptions characterizing a broad class of social preferences, we derive predictions that the responder will not always choose the larger offer. Moreover, we predict that for any offer from the small proposer, responders will require a larger offer from the big proposer when the big proposer's cake size is \$24 than when it is \$12. Results suggest that most responders are willing to accept the smaller of the two offers. Responders typically set conditional minimum acceptable offers from the big proposer to be nontrivially different from the competing small proposer offer. Furthermore, conditional minimum acceptable offers from the big proposer tend to be higher relative to small proposer offers when the big proposer's cake size is \$24 rather than \$12.

Author(s): Caleb A. Cox

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Selection into Skill Accumulation: Evidence using Observational and Experimental Data

Utteeyo Dasgupta

Franklin and Marshall

ABSTRACT:

This paper combines unique survey and experimental data to examine the determinants of self-selection into vocational training programs. Women residing in certain disadvantaged areas in New Delhi, India were invited to apply for a 6-month long free training program in stitching and tailoring. A random subset of applicants and non-applicants were invited to participate in a set of behavioral experiments and in a detailed socio-economic survey. We find that applicants and non-applicants differ both in terms of observables (captured using survey data) and also in terms of a number of intrinsic traits (captured via the behavioral experiments). Overall our results suggest that there is valuable information to be gained by dissecting the black box of unobservables using behavioral experiments.

Author(s): Utteeyo Dasgupta, Lata Gangadharan, Pushkar Maitra, Subha Mani and
Samyukta Subramanian

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Asset Markets with Overlapping Generations

Cary Deck

University of Arkansas

ABSTRACT:

We construct an asset market in a finite horizon overlapping-generations environment. Subjects are tested for comprehension of their fundamental value exchange environment, and then reminded in each of 25 periods of its declining new value. We observe price bubbles forming when new generations enter the market with additional liquidity and bursting as old generations exit the market and withdrawing cash. The entry and exit of traders in the market creates an M shaped double bubble price path over the life of the traded asset. This finding is significant in documenting that bubbles can reoccur within one extended trading horizon and, consistent with previous cross-subject comparisons, shows how fluctuations in market liquidity influence price paths. We also find that trading experience leads to price expectations that incorporate fundamental value.

Author(s): Cary Deck, Dave Porter, Vernon Smith

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Giving to Whom? Altruism in Different Types of Relationships

Peter DeScioli

Brandeis University

ABSTRACT:

Experiments show that people give money away to other people, even when contributions are anonymous. These findings contradict the common economic assumption that people maximize their own payoffs. Here we take the approach that human altruism is shaped by a set of evolved cognitive models for distinct types of relationships. Specifically, we apply Relational Models Theory which distinguishes between communal relationships based on mutual care, authority relationships based on power, and exchange relationships based on trade. In a series of experiments, we test whether Relational Models Theory can explain altruistic behavior in variants of the dictator game, a standard method for observing altruism. We manipulate relationship context by varying hypothetical descriptions of the dictator game, while holding constant real monetary incentives. We find that relationship context, even when hypothetical, strongly affects altruistic behavior, modal contributions range from 0% to 100%, and Relational Models Theory correctly predicts these effects.

Author(s): Peter DeScioli and Siddhi Krishna

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An Eye-tracking Study of Feature-based Choice in One-shot Games

Giovanna Devetag

University of Perugia - Dipartimento di Discipline Giuridiche e Aziendali

ABSTRACT:

We assume that subjects in one-shot games apply boundedly rational decision heuristics which do not involve best responding to beliefs about one's opponents: rather, they involve best responding to a simplification of the original decision problem, obtained either by ignoring the other players motivations or by taking them into consideration only for a subset of all possible game outcomes. In Di Guida and Devetag (2010) we show that by manipulating a game set of descriptive features (i.e., features that can be changed without altering a game equilibrium properties) we can induce systematic changes in players behavior. We explain our findings by suggesting that the descriptive features we introduce provide optimal solutions to subjects using boundedly rational heuristics. In this study we replicate the experiment in Di Guida and Devetag (2010) and analyze subjects eye movements to test whether observed choices are compatible with boundedly rational heuristics or with best responding to beliefs. We manipulate the variance of the strategy yielding the highest payoff sum to the row player, and the presence of a non-equilibrium attractor (i.e., a salient outcome with high and symmetric payoffs placed in a focal position in the matrix). Our choice data by and large confirm our previous results, namely: when the variance of the strategy with the highest payoff sum is low and/or when the attractor is present, the two corresponding strategies capture the vast majority of players choices. Our analysis of eye movements show that subjects on average perform a very partial and selective analysis of the game matrix, often ignoring the payoffs of the opponent and/or paying attention only to specific cells of the matrix. We find that the two most frequent eye-movements are those connecting one's own payoffs associated with a single strategy, and those connecting the two players payoffs within the same cell. We also find correlations between choices and eye movements.

Author(s): Giovanna Devetag, Sibilla Di Guida, Luca Polonio

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Cognitive Depletion, Choice Consistency, and Risk Preferences

David Dickinson

Appalachian State University

ABSTRACT:

The effect that one's cognitive abilities have on risk preferences has been of recent interest in the literature. However, any individual with a given level of permanent cognitive ability may experience temporal variations in the availability of cognitive resources. While one might assume that state-level cognition effects will mimic trait-level cognition effects on risky choice, we show that this is not the case. Specifically, we administer a risky choice task within a protocol that manipulates whether subjects make decisions at a peak or off-peak time of the day relative to their validated diurnal preference. Off-peak or circadian mismatched subjects represent those with an experimentally randomly assigned temporary depletion of cognitive resources. The risky choice task we administer (Choi et al., 2007) not only allows for an examination of risk preferences, but it also allows for a powerful test of the data's consistency with the Generalized Axiom of Revealed Preference (GARP). In this way, we are able to discriminate between differences in risky choice behavior that are attributed to reduced choice consistency with GARP from those differences that represent a shift in (well-behaved) preferences due to the cognitive resource manipulation.. We administer the experiment on 112 subjects and document the validity of the circadian mismatch protocol. For both circadian matched and mismatched subjects, the data are highly consistent with GARP, and choice consistency is not affected by this temporary depletion of cognitive resources. Nevertheless, we analyze risky choice behavior using inter-quantile regression techniques and show that circadian mismatched subjects make significantly riskier choices, even after controlling for a measure of permanent cognitive abilities. Thus, while recent research shows that higher permanent cognitive abilities is associated with increased risk-taking, we find that this temporary depletion of cognitive resources is what produces riskier choices. While an increased propensity to take risk has been shown in other contexts of more extreme cognitive resource depletion (e.g., total sleep deprivation or intoxication), we are able to show this result with a relative mild depletion of cognitive resources or the sort commonly experienced by a large segment of the population.

Author(s): Marco Castillo, David L. Dickinson, Ragan Petrie

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Benevolent and Malevolent Ellsberg Urns

Peter Duersch

Heidelberg

ABSTRACT:

The cautious attitude of an ambiguity averse decision maker is often viewed as the reaction to a malevolent nature. That is, nature can influence occurrence of events to the decision maker's disadvantage, for instance, by choosing a probability distribution with the objective of minimizing her expected utility. The decision maker reacts by choosing alternatives which are independent of the choice of probability distributions. We conduct an experiment investigating the impact of a malevolent versus a benevolent outside influence on ambiguity aversion in an Ellsberg experiment. In each of our two treatments, one group of the subjects plays the standard one-shot three-color Ellsberg experiment. To each of them one subject from the second group is anonymously matched. The task of subjects in the second group is to determine the composition of a three-color Ellsberg urn. Specifically, each of these subjects determines the (unknown) proportion of the second and third color in the urn. The urns filled by the second group are used to resolve the decisions made by the first group. In our benevolent treatment, the incentives of both groups are aligned: The payoff to each second group subject is equal to the payoff of his matched first group decision maker. In the malevolent treatment, this is reversed. Now, the payoff of the matched decision maker is deducted from a lump sum payoff of the subject who fills the urn. If decision makers are influenced by their negative perception of the way the urn is filled, they should be more ambiguity averse in the malevolent compared to the benevolent treatment. This is what we find in the experiment.

Author(s): Adam Dominiak, Peter Duersch

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Thanks but No Thanks: Non-Intervention Agreements & Land Conflict Avoidance

Martin Dufwenberg

University of Arizona

ABSTRACT:

Land conflicts in developing countries are costly. Defining property rights and promoting respect for borders is therefore an important goal of development assistance. It is cheaper to avoid conflicts in cases when neighbors attitudes are friendly. We present a policy proposal which may promote neighborly relations and equitable divisions at low cost. The key idea combines insights regarding social preferences with the logic of forward induction. We evaluate the proposal's usefulness through a framed field experiment among farmers in the Ethiopian highlands, a region exhibiting features typical of many countries where borders are not well defined and often disputed.

Author(s): Martin Dufwenberg, Gunnar Köhlin, Peter Martinsson, Haileselassie Medhin

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Hypobolic Discounting and Willingness-to-Wait

David Eil

UCSD

ABSTRACT:

Experimental and field research has shown that individuals often exhibit time inconsistent preferences. Often this is in the direction of “hyperbolic” or quasi-hyperbolic discounting. That is, individuals have a steeper discount rate for a given delay length when that delay comes sooner. This paper presents an experiment that tests this hypothesis with a novel choice task. Instead of being asked how much money today makes them indifferent between some amount later, subjects are asked how long they would be willing to wait to be indifferent between some amount sooner and some larger amount later. In this new task, many subjects exhibit “hypobolic” discounting, the opposite of the standard finding. This result does not appear to be a consequence of payout risk. The result suggests that hyperbolic discounting may be subject to the framing of choices, and therefore not purely an aspect of preferences.

Author(s): David Eil

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Thar "she" blows? Gender, Competition and Bubbles in Experimental Asset Markets”

Sascha Fullbrunn

University of Luxembourg

ABSTRACT:

Financial bubbles robustly appear in experimental asset markets. In this paper we employ the Smith et al. (1988) design to investigate the role of competitiveness in producing financial bubbles. Our approach is to conduct standard asset market experiments with all male and all female markets and compare treatments using established bubble measures. We collect survey based information on competitiveness, risk attitudes and personality. Results show that all female markets produce anegative bubbles, i.e. prices below fundamental values than all male markets, where we observe bubbles as reported in other experiments.

Author(s): Catherine C. Eckel, Sascha Fullbrunn

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An Experimental Investigation of Employment Protection and Labor Substitutability

Jack Fanning

NYU

ABSTRACT:

We investigate in a labor market experiment how efficiency and distribution of production surplus change in a worker-firm relationship when key institutional factors are varied, in particular employment protection and substitutability of labor. We model the worker-firm interaction as a repeated gift exchange game with random termination. We find that efficiency and firm profits are highest when firms have the ability to replace workers, and are lowest when there is employment protection. In settings where cooperation can be theoretically supported there is a very even split of profits both in cases where firms are on the short side of the market and in cases where when they are not, suggesting that fairness can play a significant role in equilibrium selection. Positive levels of effort under employment protection despite a lack of material incentives highlight the role of social preferences in generating surplus.

Author(s): Mark Bernard, Jack Fanning and Sevgi Yuksel

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Defensive Strategies for Deterrence: An Application to Piracy

Sherry Forbes

University of Virginia

ABSTRACT:

Laboratory experiments are used to explore strategic behavior in an environment that replicates aspects of the piracy problem off of the Horn of Africa. Defensive measures at one location merely displace terrorist attacks to another location, e.g. defending the Gulf of Aden has diverted piracy attacks further out to sea. The experiments are designed to explore the effectiveness of unpredictable and uncertain defense postures on frequencies and locations of attacks. The analysis is focused on differences between game-theoretic predictions and behavioral patterns.

Author(s): Charles Holt, Sherry Forbes

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Identifying Predictable Players in Two-Person Guessing Games

Daniel Fragiadakis

Stanford University

ABSTRACT:

Non-equilibrium behavioral game theory models have been useful in organizing experimental data in strategic decision-making studies. An appropriate next step is whether these models can identify strategic players and make out of sample predictions of their behavior. In our experiment, we control subjects' beliefs by having subjects play against random participants, and then against their past selves as in Ivanov et al., who found it quite difficult to use these models to make out of sample predictions in games of incomplete information. We adapt their paradigm to simple two-player guessing games of complete information of the form in Costa-Gomes and Crawford. We argue that players that best respond to their past selves should be predictable, and seek to describe all such subjects' behavior using existing (and possibly novel) behavioral game theory models. Additionally, for subjects with behavior we can purely describe from initial play against other subjects, we investigate whether or not we can correctly predict their behavior when they play against their past selves. We find that most subjects that best respond to their past behavior are those that we "classify" (using the methods in Costa-Gomes and Crawford) in phase I, and that the classified subjects in phase I are correctly predicted in phase II.

Author(s): Daniel E. Fragiadakis, Asen Ivanov, Daniel T. Knoepfle, Muriel Niederle

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Renegotiation in Repeated Games: An Experimental Study

Guillaume Frechette

New York University

ABSTRACT:

This paper investigates behavior in a repeated partnership game with a simple public imperfect monitoring environment in the laboratory. The monitoring technology used, a simple success or failure indicator, has not been investigated experimentally before. The treatment variable varies the possibilities for renegotiation concerns. More specifically in some treatments the subgame perfect equilibrium that results in the highest payoffs is renegotiation proof, while in others it is not. Results indicate that subject's play is not sensitive to renegotiation concerns. Furthermore, the monitoring technology, although simple, is challenging for subjects. Although there exists simple equilibrium strategies, many of the subjects use strategies that have more states than necessary to support cooperation.

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

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Rank-Dependent Utility as a Unified Theory of Behavioural Anomalies

David Freeman

University of British Columbia

ABSTRACT:

This paper adapts rank-dependent utility to provide a unified theory of behavioural anomalies across the domains of risk, ambiguity, and time preferences. The paper evaluates the theory as a unified theory of behaviour in multiple domains using a structural model estimated on experimental data.

Author(s): David Freeman

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Revealed Preferences: Altruism when Relative Consumption and Donations May Matter

Robert Gazzale

Williams College

ABSTRACT:

This project attempts to uncover incentives behind charitable donation. We do so by developing a general revealed preference framework and designing an experiment, the data from which allows us to simultaneously test a variety of preference models. Our revealed preference approach allows us to extend Andreoni and Miller (2002) and Korenok, Millner and Razzolini (2011) and test various preferences including impure altruism, relative consumption and relative donation. The advantage of this approach is that it allows us to check whether the data can be rationalized by these preferences without imposing any functional form restrictions on the utility functions. In our experiment, subjects are sequentially asked to split a token endowments between themselves and a local charity as we vary endowments and relative prices. Our analysis focuses on subjects in the second treatment who are informed of the choices made by the subjects in the first treatment. While a majority of second-treatment subjects behave as impure altruists, we show that a significantly larger proportion behave as if they care about relative donation/consumption. This suggests that for many, warm glow from giving (or guilt from not giving) is relative to the choices made others in similar circumstances.

Author(s): Deb, Rahul and Gazzale, Robert S. and Kotchen, Matthew J.

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Imperfect Perception of Calling Plan Costs and Simplicity Premium

Sen Geng

Xiamen University

ABSTRACT:

Field evidence shows that consumers make ex post mistakes in choosing calling plans: conditional on their usage pattern, they would be better off had they chosen a different plan. One typical explanation for these mistakes is that consumers overestimate the precision of their demand forecasts. In this paper, we show that in experiments choice mistakes are possible even when consumers know exactly their usage. The novelty of this paper is introducing the layer of measurable misperception concerning costs. Given the precise cost data, there is some subjective transformation that makes it highly uncertain, and it is on the basis of this uncertainty that choice is made. We find that it appears to some feature of complexity that produces subjective uncertainty and that rationally according to expected utility therefore guides the decision maker to choose a plan, which may be different from the objectively “right” plan.

Author(s): Andrew Caplin, Sen Geng, and Natalia Shestakova

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Coalition Formation in a Legislative Voting Game

Sotiris Georganas

Ohio State

ABSTRACT:

We experimentally investigate the Jackson-Moselle (2002) model where legislators bargain over policy proposals and the allocation of private goods. Key comparative static predictions of the model hold as policy proposals shift in the predicted direction with private goods, with the variance in policy outcomes increasing as well. Private goods increase total welfare even after accounting for their cost and help secure legislative compromise. Coalition formations are better characterized by an efficient equal split between coalition partners than the stationary subgame perfect equilibrium prediction.

Author(s): Nels Christiansen, Sotiris Georganas & John Kagel

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Desert and Inequity Aversion in Teams

David Gill

University of Oxford

ABSTRACT:

Teams are becoming increasingly important in work settings. We develop a framework to study the strategic implications of a meritocratic notion of desert under which team members care about receiving what they feel they deserve. Team members find it painful to receive less than their perceived entitlement, while receiving more may induce pleasure or pain depending on whether preferences exhibit desert elation or desert guilt. Our notion of desert generalizes distributional concern models to situations in which effort choices affect the distribution perceived to be fair; in particular, desert nests inequity aversion over money net of effort costs as a special case. When identical teammates share team output equally, desert guilt generates a continuum of symmetric equilibria. Equilibrium effort can lie above or below the level in the absence of desert, so desert guilt generates behavior consistent with both positive and negative reciprocity and may underpin social norms of cooperation.

Author(s): David Gill, Oxford; Rebecca Stone, NYU

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Choice of Routes in the Braess Paradox under Atomic Splittable Flow

Eyran Gisches

University of Arizona

ABSTRACT:

The Braess Paradox (BP) is a counterintuitive finding that upgrading a network which is susceptible to congestion by adding one or more links might increase the cost of travel for each of its users. Most of the theoretical literature on the BP and all of the experimental research concerns the case of atomic unsplittable route choice where each agent controls a single unit of the flow. In the splittable version of this problem agents control multiple units which can be assigned to multiple routes. In both games, despite the different allocation of flow units among the players, the equilibrium distribution of units over the routes in the network remains the same. Previous experimental research has shown that in the atomic unsplittable case, over multiple iterations of the game, players converge to the equilibrium solution.

Our goal in this study is to determine whether the choice of routes in the network is changed when the flow is splittable. The BP is implemented as a computerized network game in which subjects choose routes initially in a basic network with 3 routes which is subsequently expanded into an augmented network with 5 routes. We implement a between-group design with groups of either 18 (unsplittable condition) or 4 subjects (splittable condition). We report the results of two conditions; in the first condition, each player is assigned one unit of flow, and in the second condition, the players are divided into groups of four and assigned asymmetric splittable fleets of 2, 3, 5, or 8 units.

Author(s): Eyran J. Gisches; Amnon Rapoport

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Wage Discrimination of Migrant Workers and Students in China

Sebastian Goerg

Max Planck Institute for Research on Collective Goods

ABSTRACT:

In this experiment we investigate the determinants of wage discrimination. Therefore, we conducted two gift-exchange experiments in Shanghai and Ningbo (both China) involving students and migrant workers. Students act in the role of employers and decide about the wage of the migrant workers, while the migrant workers choose their effort level given the actual wage. The employers can condition the wages only on the workers origin. The workers home province is the only criteria to differentiate between the migrant workers.

We observe a high variance in wages across provinces. Combining our lab results with field data, we can investigate the determinants of wage discrimination. In our setting wages are positively influenced by the economic power of the workers home provinces, and negatively influenced by the geographical distance between the employers and workers home provinces and the ethnical heterogeneity in workers provinces. The same pattern is observed within a pure student sample.

Author(s): Sebastian Goerg, Thorsten Chmura

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Cooperation and Competition in the Emergence of Social Order

David Goldbaum

University of Technology Sydney

ABSTRACT:

An environment that rewards early adopters of a popular choice or trend has as its equilibrium social structure a unique leader and a hierarchy of followers. The structure facilitates the emergence of a popular choice with the leader selecting a single choice that disseminates through the followers to make it popular.

The premium reward that goes to the leader and other early adopters introduces competition into a setting that also demands cooperation. The quickest path to the equilibrium structure has participants employing simple backward-looking adaptive decisions. Forward looking strategies aimed at becoming a leader hamper the necessary social coordination. The experiments examine issues of emergence and stability of the equilibrium social structure. The conflicting incentives to cooperate and to compete are reflected in the observed behavior.

Author(s): David Goldbaum, AJ Bostian

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Imperfect Public Monitoring with Costly Punishment - An Experimental Study

Ben Greiner

University of New South Wales, School of Economics

ABSTRACT:

This paper experimentally investigates the effects of a costly punishment option on cooperation and social welfare in long finitely repeated public good contribution games. In a perfect monitoring environment increasing the severity of the potential punishment monotonically increases both contributions and the average net payoffs of subjects. In a more realistic imperfect monitoring environment, we find a U-shaped relationship between the severity of punishment and average net payoffs. Access to a standard punishment technology in this setting significantly decreases net payoffs, even in the long run. Access to a very severe punishment technology leads to roughly the same payoffs as with no punishment option, as the benefits of increased cooperation offset the social costs of punishing.

Author(s): Attila Ambrus, Ben Greiner

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Inexpensive Talk

Zachary Grossman

UC Santa Barbara

ABSTRACT:

Though costless, non-binding communication has been shown to help cooperation and coordination in some contexts, it does not always help. We investigate how communication technology and incentives affect the performance of teams, specifically, whether and when charging a small price for communication might improve teams ability to quickly and accurately solve puzzles.

Author(s): Gary Charness, David Cooper, Zachary Grossman

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Ethnic Conflict and the Provision of Public Goods: A Framed Field Experiment

Anna Gumen

New York University

ABSTRACT:

In many developing countries the existence of local public goods (i.e., public goods intended for the consumption by a particular social group) is attributed to the division of the society into different ethnic groups. This often leads to duplication of public goods in a particular community. We develop a theoretical model to show that the welfare of the society can be improved with the enforcement of production of a global public good instead of the local public goods for each of the groups, provided that the ethnic animosity between the groups is not very high. We conduct an experiment with naturally occurring and highly cohesive groups to test the theoretical predictions of this public goods model. We find that local public goods are more likely to be produced in the presence of conflict. Moreover, we show that the restriction on production of local public goods is welfare improving and the presence of intergroup conflict further reduces the welfare of individuals.

Author(s): Anna Gumen

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Managing Credibility

John Hamman

Florida State University

ABSTRACT:

A critical element of the effectiveness of leaders and policymakers rests on the extent to which their recommendations are credible and are therefore followed by those being led. This is especially the case in environments characterized by multiple equilibria, in which the extent to which an individual is willing to follow a leader's advice rests largely on the extent to which she believes others will do so. We report laboratory experiments in which we explore the development and maintenance of credibility by better-informed leaders charged with aiding a group of followers play a game with multiple equilibria.

Our experiment focuses on the dynamics of leaders recommendations, and the extent to which these recommendations are credible in that they are followed. Our results reveal several important aspects of how leaders manage their credibility and the resulting behavior of those being led. We find clear evidence that leaders attempt to develop credibility, by forgoing opportunities to request investment in states where it is profitable, but strategically risky, to do so. As a result, many leaders are able to build up high levels of credibility and obtain full concordance in investor behavior with their recommendation. We also find that random shocks can critically affect credibility, with leaders losing significant influence with their followers after periods in which their noisy signal proved incorrect. However, we also find that sufficiently patient leaders are able to recover from these shocks by starting over and rebuilding their credibility.

Author(s): David Cooper, John Hamman, Roberto Weber

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Honest Lies

Li Hao

University of Arkansas, Fayetteville

ABSTRACT:

This paper investigates whether people may prefer to appear honest without actually being honest. We report data from a two-stage prediction game, where the accuracy of predictions (in the first stage) regarding die roll outcomes (in the second stage) is rewarded using a proper scoring rule. Thus, given the opportunity to self-report the die roll outcomes, participants have an incentive to bias their predictions to maximize elicitation payoffs. However, we find participants to be surprisingly unresponsive to this incentive, despite clear evidence that they cheated when self-reporting die roll outcomes. In particular, the vast majority (95%) of our subjects were willing to incur a cost to preserve an honest appearance. At the same time, only 44% exhibited intrinsic preference for honesty. Moreover, we found that after establishing an honest appearance people cheat to the greatest possible extent. Consistent with arguments made by Akerlof (1983), these results suggest that incomplete cheating behavior frequently reported in the literature can be attributed more to a preference for maintaining appearances than an intrinsic aversion to maximum cheating.

Author(s): Li Hao and Daniel Houser

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Punishment in Simple Games

Haley Harwell

University of Texas at Dallas

ABSTRACT:

While punishment has been shown to positively impact donations in a public goods game, in the trust game punishment is, for the most part, counterproductive, reducing trust and reciprocity. Despite the similarities in the games, the introduction of a punishment option has very different effects on cooperation in the two settings. We present results from two simple games that are designed to address this puzzle. Our strategy is to modify the public goods game to make it as close as possible to the trust game, and to implement very similar punishment mechanisms in the two games.

The differences between the public goods and trust games are identified as: repeated v. one-shot, simultaneous v. sequential, and multipliers (with all public good contributions multiplied by a common factor, but only first-mover contributions multiplied in the trust game). In this experiment we alter the public goods game to be one-shot and sequential, leaving only the difference in multipliers. The design consists of four games, the public good and trust games, with and without a punishment option for the first mover. Punishment is always second, but the order of public good and trust is blocked. Subjects were paid for one task in private that was chosen at random. The average earnings were approximately \$15.00 USD.

Given the similarities between our two games, our hypothesis was that reaction to the option of punishment would be similar across both games. Because we have adjusted the public goods game to resemble the trust game structure, we predicted lower contributions in both games in the presence of a punishment option, matching the trust-game results in earlier studies.

Author(s): Sheheryar Banuri, Catherine Eckel, Haley Harwell, Ravi Hanumara, Robert Reeves and Mark Swingle

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Digital Piracy, Teens, and the Role of Advice

Matthew Hashim

The University of Arizona

ABSTRACT:

We conduct a laboratory experiment with teenagers and their parents to explore the role of advice on music piracy decisions. Our treatment design focuses on from whom the advice originates, and whether the source of advice has a stake in the outcome. We develop a new piracy game, and find that teenagers are more effectively influenced by advice from advisers that have a stronger social tie with the teen. The advice is also effective at influencing the piracy decision if the source has a stake in the outcome. Given these results, record labels and industry regulators can develop approaches at disseminating advice about piracy through more effective channels.

Author(s): Matthew Hashim, Karthik Kannan, Sandra Maximiano, and Jackie Rees

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How to Pay Subjects: A Characterization of Incentive Compatible Payment Mechanisms

Paul Healy

Ohio State University

ABSTRACT:

When subjects are asked to make multiple choices in an experiment and are paid for all of their choices, the optimal choice in one decision problem may be affected by the choices from other problems. An incentive compatible payment mechanism guarantees no such contamination. It is well known that paying for one randomly-chosen problem (the “RPS Mechanism”) is incentive compatible with expected utility (EU) preferences. Here, we characterize the entire class of incentive compatible payment mechanisms, both with EU preferences and in more general environments. Surprisingly, there are more incentive compatible mechanisms beyond the RPS mechanism, and the RPS mechanism is incentive compatible for a wide range of non-EU preferences.

Author(s): Yaron Azrieli, Christopher Chambers, and Paul J. Healy

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Punishment and Norm Enforcement in Public Good Games

Dorothea Herreiner

Loyola Marymount University

ABSTRACT:

It is well known that punishment can increase the contribution levels in public good games significantly. Individuals use costly punishment to communicate their contribution expectations to others. This paper investigates what expectations exist about appropriate punishment; it assesses not only what norms exist for contribution levels but also for enforcement levels. We identify the characteristics of individuals that contribute to the public good, that are willing to sacrifice payoff to make others contribute, and those that punish others for not enforcing contribution levels.

Author(s): Dorothea K Herreiner

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The Paradox of Misaligned Profiling: Experimental Evidence

Charles Holt

University of Virginia

ABSTRACT:

This paper presents an experimental test of a model of equilibrium profiling. Attackers chooses a demographic type from which to recruit, and defenders choose which demographic types to search. Some types are more reliable than others in the sense of having a higher probability of carrying out a successful attack if they get past the security checkpoint. In equilibrium, defenders tend to profile in the sense of searching the more reliable attacker types more frequently, whereas the attackers tend to send less reliable types, up to a point. Data from pilot experiments are roughly consistent with the qualitative patterns of theoretical predictions, and behavioral explanations of deviations from theory are explored.

Author(s): Charles Holt, Andrew Kydd, Laura Razzolini, Roman Sheremeta

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Does Size Matter? An Experiment on the Effects of District Magnitude on Voter Behaviour

Rafael Hortala-Vallve

London School of Economics

ABSTRACT:

What is the relationship between district magnitude and the proportion of voters who act strategically or expressively? The answers to this questions has implications for how we conceptualize the relationship between electoral system design and democratic representation, and ultimately what district size is optimal for the trade-off between proportional representation and government accountability. To investigate what motivates people when voting in elections and how district magnitude shapes these motivations, we undertook a controlled laboratory experiment and an experiment via the internet with a very large population. We divided subjects into different treatments, with groups participating in elections under a first-past-the-post and other groups participating in small multi-member district elections (we also have control treatments with pure PR). Our subjects behaviour cannot only be summarised by expressive and strategic voting. We observed a non-rational tendency to vote for the party that obtained most votes in previous elections --conformity. The difference between single-member districts and small multi-member districts had a smaller effect than we expected. Using the results from our experiment we simulate larger elections and are able to predict the impact of a change in district magnitude in the United Kingdom.

Author(s): Simon Hix and Rafael Hortala-Vallve

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Promoting Cooperation with Out-Groups

Daniel Houser

George Mason University

ABSTRACT:

In-group favoritism is well established and its psychological foundations have been extensively studied. Here we ask whether the process by which a group forms might impact in-group bias. We use two variants of a minimal group paradigm to create groups in the lab. Both paradigms involve solving puzzles, but one of the puzzles is designed to require much more cooperation to solve. Following the puzzle task participants play trust-games with in-group and out-group members. We find that members of groups that formed using a task that required high-cooperation are also significantly more trusting of out-group members. There is no difference in the propensity to trust the in-group. Consequently, forming groups using a relatively more cooperative task mitigates in-group bias and significantly increases economic efficiency.

Author(s): Xiaofei Pan and Daniel Houser

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Unintentional Information Effects and the WTP-WTA disparity: Theory and Experimental Evidence

Greg Hunter

Cal Poly Pomona

ABSTRACT:

Dozens of economics experiments have found a disparity between a consumer's willingness-to-pay and willingness-to-accept, prompting many researchers to assume the WTP-WTA disparity as a starting point for further inquiry into the substance of human economic behavior and modifications to existing welfare theory. However, no theory or formal mathematical model in the literature has examined the relationship between WTP/WTa disparities and experimental subject misconceptions arising from unintentional information effects. We analyze a formal model demonstrating that subject misconceptions alone can lead to a WTP-WTA disparity and contaminate experimental results. We also report on the results of new experiments confirming these findings.

Author(s): Greg Hunter; Matt Rousu

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Positive Affect and Overconfidence: A Laboratory Investigation

John Ifcher

Santa Clara University

ABSTRACT:

Author(s): John Ifcher and Homa Zarghamee

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Conscience Accounting

Alex Imas

University of California, San Diego

ABSTRACT:

We propose that one reason people donate to charity is to account for their conscience. In our experiments, people who lied or did not return money they received by mistake were more likely than those who did not to donate to charity. This finding suggests some form of conscience accounting by which people try to balance out bad activities to protect their identity and self-image. This suggests an additional explanation to the altruistic type assumptions used in the literature to explain donation and volunteering behavior.

Author(s): Uri Gneezy, Alex Imas and Kristof Madarasz

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Occupational Choice and Labor Market Performance

Ebru Isgin

Rutgers University

ABSTRACT:

We experimentally analyze wage and tax effects on agents occupational choice between self-employment and working for wages. Agents are assumed to have different levels of entrepreneurial talent which is represented by the probability of success as an entrepreneur. We find that increases in taxes and/or wages result in more efficient occupational sorting and welfare gains in the labor market. Higher taxes on self-employment and higher wages motivate the less talented agents to remain as workers. This increases the average quality and the performance of the self-employed. In another treatment, the probability of success is determined according to the agents relative performances in a tournament environment. We observe that the self-employed entrepreneurs tend to be overconfident about own talent; and entry to self-employment is more frequent compared to the first treatment where probability of success is randomly assigned.

Author(s): Ebru Isgin

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A Simple Approach for Organizing Behavior and Explaining Cooperation in Repeated Games

Asen Ivanov

Virginia Commonwealth University

ABSTRACT:

We introduce a novel approach for organizing behavior and explaining cooperation in repeated games. Our approach is based on the idea that players differ according to an inherent propensity to cooperate that systematically affects behavior and cooperation levels. We formulate the empirical implications of this idea and test them in the lab. Our data support our approach. Our main conclusions are: (i) players' strategies in a repeated game can be ranked along a single dimension, (ii) this ranking remains stable across repeated games, and (iii) the composition of a group, in terms of its players' propensities, strongly affects cooperation levels.

Author(s): Douglas Davis, Asen Ivanov, Oleg Korenok

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The Scapegoat: How Downstream Externalities Affect Public Good Provision

Sarah Jacobson

Williams College

ABSTRACT:

What happens when Community A's mutually beneficial common project has downstream externalities that hurt Community B? We use a lab experiment to study contributions to a common fund when the common fund has characteristics of both a public good and a public bad. Subjects who are in-group members can decide how much to contribute and are benefited by the fund as by a public good; but common fund contributions reduce the payoff of subjects outside the in-group (scapegoats), so much so that common fund contributions are overall anti-social. We make no effort to promote in-group identification. We find that in the simple case in which all in-group members have the same return to the common fund, the addition of scapegoats to a group reduces contribution levels by nearly 50%, although positive contributions do continue. We also study the case in which in-group returns are asymmetric (but all positive) and this asymmetry rotates in a way that encourages subjects to engage in reciprocal giving. In this case, when subjects have a high return from the common fund their contributions are only slightly diminished by the introduction of scapegoats. When subjects have a low but positive return from the common fund their contributions do not drop with the introduction of scapegoats. Reciprocal giving (giving more in rounds in which previously-kind subjects earn a high return, and less in rounds in which previously-unkind subjects earn a high return) is equally strong when scapegoats are and are not present. These results show that downstream externalities can restrain subjects to a lower level of project provision than they would otherwise choose. However, this restraint is limited and depends on the structure of the institution, and in some cases this restraint may be swamped by other social forces.

Author(s): Jason Delaney, Sarah Jacobson (presenting)

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Other-regarding Preferences, Culture and Corruption: Experimental Evidence from Japan, China, Netherlands and Italy

Ting Jiang

Tilburg University

ABSTRACT:

Author(s): Ting Jiang

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Water Cooler Ostracism

David Johnson

Florida State University

ABSTRACT:

Previous studies have demonstrated communication alone has the ability to increase contributions to a public good; still many subjects nonetheless exhibit free-riding behavior. Within social situations however, free-riding individuals may be informally punished through social ostracism: ostracized group members may be shunned from communication by the group yet may still maintain formal ties. In this study we examine the effectiveness of non-monetary ostracism as a punishment mechanism.

Social ostracism may occur in the workplace where workers produce a public good amongst their inputs. Since these workers are all on the same level, no worker has the ability to punish free riding behavior. Yet, the group as whole has the ability to punish free-riding group members through various social mechanisms (e.g. name calling, ostracism, etc).

Current results from the modified repeated VCM game suggest potential ostracism from pre-play communication has a significant positive impact on the contributions to a public good in a laboratory setting. Furthermore, we also find some subjects never ostracize but communication records provide evidence for the following explanations; (1) subjects prefer name-calling to ostracism and (2) subjects also recognize that ostracized subjects cannot be reasoned with once removed from communication.

Author(s): Brent Davis and David Blake Johnson

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Gender Differences in Reputation Concerns: Prosocial Behavior in the Field and Lab

Daniel Jones

University of Pittsburgh

ABSTRACT:

We explore the impact of visibility on prosocial behavior. In a field experiment, participants are given the opportunity to complete word search puzzles to raise money for a charitable cause. In one treatment, participants' names and contributions are revealed to future participants. The removal of anonymity decreases average female contributions. This is driven by an increased tendency of females to conform to the modal contribution, which might be explained by a preference to simultaneously avoid appearing reputation-motivated or selfish. This is consistent with findings that females are more sensitive to how prosocial behavior will be perceived in the presence of extrinsic incentives. We conduct a laboratory experiment to more explicitly test the suggestion that females react to visibility in prosocial environment by conforming to the modal behavior and find additional evidence consistent with this hypothesis.

Author(s): Daniel Jones, Sera Linardi

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Confusopoly: Competition and Obfuscation in Markets

Kenan Kalayci

University of Queensland

ABSTRACT:

This paper examines the effects of competition in experimental posted-offer markets where sellers can confuse buyers. I report two studies. In one, the sellers offering heterogeneous goods can obfuscate buyers by means of spurious product differentiation. In the other study, sellers offer identical goods and make their prices unnecessarily complex by having multi-part tariffs. I vary the level of competition by having treatments with two- and three sellers. The results from both studies show that average complexity created by a seller is not affected by the number of sellers, which contrasts with what has been suggested by earlier literature (Gabaix and Laibson, 2004; Carlin, 2009). In addition, market prices are lower and buyer surplus is higher when there are three rather than two sellers in a market.

Author(s): Kenan Kalayci

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Can Social Preferences Explain Gender Differences in Economic Behavior?

Linda Kamas

Dept. Economics, Santa Clara University

ABSTRACT:

This study examines whether gender differences in some economic behaviors are due to differences in social preferences. Utilizing dictator allocation decisions, we categorize subjects as self-interested, social surplus/efficiency maximizers, or inequity averters. We show that women are significantly more likely to be inequity averters and men are much more likely to be social surplus maximizers. These gender differences in social preferences may help explain differences in economic behaviors between men and women. We utilize our social preference categorizations to evaluate gender differences in economic decisions in trust games, charitable giving, and subjects choices of competitive vs. egalitarian compensation schemes.

Author(s): Linda Kamas and Anne Preston

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Laboratory Elections: Proportional Representation versus Majoritarian Rule

Melis Kartal

New York University

ABSTRACT:

This paper investigates theoretically and experimentally the impact of proportional representation (PR) and majoritarian rule (MR) on participation and representation with endogeneous turnout. Numerous empirical studies have questioned whether proportional representation fosters voter participation. A number of empirical studies have documented that PR generates higher turnout than MR. On the other hand, others have found that proportionality of the voting rule has either little or no systematic effect on turnout. Overall, the empirical evidence regarding the comparison of turnout across MR and PR is mixed. Moreover papers that find increased participation under PR cannot explain why this is the case. This work shows theoretically and experimentally that the comparison of turnout across PR and MR depends on the size of the minority. Moreover, group participation rates depend on the voting rule. Individual behavior is consistent with theory: Most subjects either follow or learn to follow cutoff strategies.

Author(s): Melis Kartal

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The UN in a Lab, Examining the Effectiveness of Cost Sharing in Nested PD Games

Malcolm Kass

University of Texas - Dallas

ABSTRACT:

There are 3 general options for countries to utilize when combating terrorism. First, a country may deem that action is too costly and do nothing. Second, a country can implement a defense strategy by focusing on deterrence by strengthening the host country's barriers for terrorist acts. However, the consequence for this action is that the country generates a negative externality to others, leaving them as more attractive targets for terrorist attack. Lastly, a country can choose a prevention strategy that directly undermines the terrorist capabilities. This generates a positive externality by reducing the overall threat of terrorism for all. Due to this feature, institutions (like the UN) can be utilized to offset the expense of prevention. Using the nested Prisoner's Dilemma framework in the Arce and Sandler paper Counterterrorism: a Game-Theoretic Analysis from the 2005 Journal of Conflict Resolution, we investigate experimentally how subjects will react to this cost sharing institution, which doesn't alter the dominant strategy of defense, but reduces the difference in payoffs between the socially optimal strategy of prevention and the Nash strategy of defense. We compare this institution to a baseline and alter the amount of prevention cost sharing that is allowed. To date, we find that a 50/50 split of prevention cost sharing generates a dramatic increase of prevention play and we are currently looking at the impact of lesser degrees of cost sharing to gauge how much is enough for a cost sharing institution to be effective.

Author(s): Arce, Dann; Bakshi, Sneha; Eckel, Catherine; Fatas, Enrique; Kass, Malcolm

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Information and Fairness

Judd B. Kessler

Harvard University

ABSTRACT:

We investigate the role of information on behavior in a laboratory bargaining game. In the game, the buyer's value of the good and seller's cost of the good are determined randomly, and the buyer must make a take-it-or-leave-it offer to the seller to purchase the good. The experimental design varies which of the players are informed about the value or cost of the other, and thus imbeds a standard ultimatum game as the condition where both players are informed. Our results suggest that the information structure significantly impacts both efficiency and the distribution of profits.

Author(s): Judd B. Kessler and Muriel Niederle

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Rules, Rule-Following, and Cooperation

Erik Kimbrough

George mason University

ABSTRACT:

We demonstrate experimentally that individual willingness to follow costly rules predicts cooperation in social dilemmas. Subjects participate in a rule-following task in which they may incur costs to follow an arbitrary written rule in an individual choice setting. Without their knowledge, we sort them into groups according to their willingness to follow the rule. These groups then play repeated public goods or trust games. Rule-following groups sustain high public goods contributions over time, but in rule-breaking groups cooperation decays. Rule-followers also reciprocate more in trust games. Arbitrary rules may persist because of their value as screening mechanisms for identifying cooperators.

Author(s): Erik O. Kimbrough and Alexander Vostroknutov

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Fairness under Risky Environments: An Experimental Analysis

Tomoki Kitamura

Aoyama Gakuin University and NLI Research Institute

ABSTRACT:

The purpose of this experiment is to determine whether subjects exhibit fairness under risky environments or not. We use a five-treatment variation of the dictator game in which we introduce an investment risk before the dictator splits reward allocation between herself and her anonymous partner. Treatments differ in who makes the risky investment choice. Treatment A is simply the classic dictator game treatment where the dictator allocates an endowment without any risky investment decisions. In treatment B, dictators determine the amount of investment and, at the same time, have to split investment dividends as pre-decided by the experimenter. In treatment C, dictators determine the amount of investment. After the investment is realized, the dictator has discretion to decide the split from the total dividend earned. In treatment D, the partner is given the discretion to first determine the investment, while the dictator determines the dividend split. Finally in treatment E, the investment decision is the result of negotiations between dictator and partner, with rewards again decided by the dictator. The experiments were conducted at Osaka University in Japan. The total number of subjects is 236, half of which are dictators.

We find three main results. First, dictators allocate some money to their partner even after risky investments. This indicates that dictators show some level of fairness, which is consistent with the literature. Second, we find no statistical differences for the average reward amount that dictators allocate to themselves in all treatments except treatment B. Dictators seem to distribute a constant amount of reward for themselves on average at the expense of partner's reward fluctuations. Third, dictators tend to allocate relatively more reward to themselves when they obtain better investment dividends. This indicates that the level of fairness depends on the investment results and that dictators seem to show less fairness when they make money from investments.

Author(s): Tomoki Kitamura, Kenju Akai, and Keiko A. Aoki

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Directed Search with Heterogeneous Firms: An Experimental Study

Andrew Kloosterman

New York University

ABSTRACT:

Directed search models the labor market by assuming that firms post wages observable to searching workers. The addition of heterogeneity in the value of the firms; vacancies theoretically creates wage dispersion in which firms with more valuable vacancies offer higher wages to attract more applicants and applicants apply more often to jobs offering high wages because they get a larger payoff. This paper tests this theory in the experimental laboratory. Workers apply more often to higher wages though not as more often as theoretically predicted and higher value firms do offer higher wages. The divergence from theory by workers leads to some efficiency loss because it leads to high value firms, which have the most efficiency to lose, failing to find a worker too often.

Author(s): Andrew Kloosterman

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Behavioral Spillovers in Simultaneous Public Goods Games: Impact of Incentives and Information

Justin Krieg

Purdue University

ABSTRACT:

Author(s): Justin Krieg

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On the robustness of preferences underlying punishment

Peter Kriss

Carnegie Mellon University

ABSTRACT:

In this paper we present subjects with a situation in which there is a social norm to punish unfairness. We then elicit both second parties' and third parties' preferences to punish (at a cost to themselves) those who act unfairly. Using a subtle experimental elicitation, we then allow both second and third parties to seek out or avoid the opportunity enact their punishment decision without explicitly signaling to the other participants or to the experimenter that they are doing so intentionally. We explore whether preferences for costly punishment are robust to easily available excuses for inaction.

Author(s): Peter Kriss, Roberto Weber, Erte Xiao

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Regret, Consequential Thinking and Trust Game Behavior

Tamar Kugler

University of Arizona

ABSTRACT:

Contrary to rational Expected Monetary Value (EMV) predictions that no money will be transferred in Trust Games, in experiments players typically make positive transfers. Theorists have proposed modifying the Sender's utility function while retaining utility maximization assumptions to account for this behavior. Such accounts assume that Senders can grasp the possible outcomes of their choices, their probabilities, and utilities. In reality, however, Senders' choices are unexpectedly complex, and the assumption that they approximate expected utility maximization is highly implausible. Instead, we suggest that Senders are guided by general propensities to trust others. These propensities appear to be quite sensitive to interventions prompting senders to consider the consequences of their action. In Study 1, Senders were prompted to consider the regret they might feel if they either over-trusted (sent a large amount and got little back) or under-trusted (sent little and received a relatively large return). Both prompts sharply reduced the amount sent. In Study 2, Senders were asked to predict how Responders would react to a large or small send. Again, the prompt led to sharply reduced sends. In both cases the prompt appears to have stimulated consequential thinking and thus to reduced sending. This suggests that unprompted Senders generally engage in relatively little consequential thought. Models of Sender behavior in Complex Trust Games should therefore not assume that participants routinely engage in consequential thinking (CT) of the depth that would be required for utility maximization.

Author(s): Terry Connolly, Tamar Kugler, Edgar Kausel

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Estimating Time Preferences from Experimental Data: New Elicitation and Estimation Strategies

Michael Kuhn

UC San Diego

ABSTRACT:

We modify the Andreoni and Sprenger (2010a) method of eliciting time and risk preferences from Convex Time Budgets (CTBs) and implement the technique on a laboratory population. By paring down the intertemporal budgets from fully convex to six discrete options, the method becomes easy to implement with simple pencil and paper, but retains many of the desirable features of its progenitor. We discuss the econometric implications of such a modified CTB design, but demonstrate that the original estimation strategies need not be altered drastically to achieve estimates in line with more theoretically robust strategies. Additionally, we compare this new technique with another standard elicitation technique used on the same laboratory population: Double Multiple Price Lists (DMPLs) due to Andersen et al. (2008). We find that estimates of the utility curvature parameter differ substantially between the two techniques, and posit econometric and decision-theoretic explanations for this result.

Author(s): James Andreoni, Michael Kuhn, and Charles Sprenger

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Birth, Death and Public Good Provision

Jonathan Lafky

University of Pittsburgh

ABSTRACT:

This paper explores the effect of fixed versus dynamic group membership on public good provision. In a novel experimental design, we modify the traditional voluntary contribution mechanism (VCM) by gradually replacing old members of a group with new members over time. Under this birth and death dynamic design we find that average contributions decay very little over the course of the experiment relative to a traditional VCM environment with fixed group membership. Controlling for the number of periods a subject had played, contributions in the dynamic treatment exhibit some decay over time, but this decline is significantly less than in the fixed membership VCM. Subjects in their last round of play contributed 24.0% of their endowment in the dynamic treatment compared with only 2.2% in the fixed treatment. These findings suggest that the traditional pattern of contribution and decay seen in many public goods experiments may not accurately reflect behavior in groups with changing membership, as is the case in many real-world environments.

Author(s): John Duffy, Jonathan Lafky

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Competitive Altruism

Greg Leo

University of California Santa Barbara

ABSTRACT:

Many times, in situations which present opportunities for altruistic behavior, more people are willing to help than are needed. For instance, just one donor is often needed to provide transplant tissue to a sick patient even though there are multiple eligible and willing donors. Similarly, on full bus, several passengers might be willing to give up a seat to an old woman. This paper explores the motivations of altruists in such situations.

We present a model of behavior that separates individuals into three motivational types: the consequential altruist, the impact philanthroper, and the egoist. The consequential altruist is motivated by the outcomes of actions, willing to act if no one else will, but preferring someone else take the costly action. The impact philanthroper is motivated by making a personal impact, always preferring to personally take the costly action. The egoist is not motivated by the outcome of the situation, unlike the consequential altruist, he or she prefers not to act even if no one else will. From here, we present an experiment that sorts among these types.

Our experiment attempts to elicit the payoff functions of participants rather than inducing them in the treatment. Subjects are split into small groups. Each member of the group is given \$10 (donors) except for one person from each group who gets no money (recipient). Each of the donors is asked if he or she would like to contribute \$1 to help the recipient get \$9 instead of \$0, however only one contribution is needed. A timed mechanism is used to elicit volunteers. The first donor to volunteer contributes the \$1 and ties are settled randomly. This mechanism allows subjects to express how strongly they want to be the one who personally contributes the \$1. We report the results of this experiment in some key areas: the proportion of subjects that can be classified into each motivational type, the effect of increasing the number of potential altruists on motivations, and how the recipients perceive the actions of donors. In addition, we compare the game embedded in this experiment to other familiar games such as public goods and volunteers dilemma, and consider future research.

Author(s): Theodore Bergstrom, Rod Garratt, Greg Leo

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Gender, Group Identity and Social Preferences

Sherry Li

University of Texas - Dallas

ABSTRACT:

We design a laboratory experiment to measure the gender difference in intergroup relations and social preferences. We find significant gender difference in participants' intergroup discriminatory attitudes and behaviors. On average, women report significantly higher ingroup attachment than men. When facing uncertainty, women are significantly more likely to make choices that differentiate ingroup from outgroup, and whenever doing so, they are more likely to treat ingroup more favorably than men are. In addition, women are significantly more behindness averse than men are, and are less likely to choose a social welfare maximizing action. Men and women react differently to cost, benefit and income distribution in their reciprocal and social welfare maximizing choices.

Author(s): Yan Chen and Sherry Xin Li

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Image Motivation in Cooperative Behavior: Evidence from an Experimental Test

Danyang Li

Georgia State University

ABSTRACT:

This paper adds to the literature by testing a new motivation for cooperative behavior, the desire for a positive image. The contribution of introducing the image motivation as an explanation of the cooperative behavior is its independence on individual's intrinsic preference assumption. Studies on cooperative behavior have focused on developing hypotheses that individuals who behave in a cooperative way have other-regarding preferences (e.g. altruism and reciprocity). This paper focus on testing a hypothesis that the motivation of cooperative behavior may not be people care about others, instead, it could be they just want to be seen as prosocial.

This paper uses an experimental method to study whether people who chooses to cooperate is intrinsically interested in others well-being (e.g. altruism or reciprocity) or motivated by his image value. We conduct a controlled experiment based on the unique feature of image, its dependence on visibility. We modify the trust game by adding a move of nature, which randomly determines the productivity level of the first mover's choice to engage. The key feature of this design is that the second mover's choice to cooperate when engagement is low-productive leads to the same payoff for the first mover as the choice to defect when engagement is high-productive. This modified trust game is named the "risky trust game." We study the risky trust game in two treatments with different visibility. In the treatment with high visibility, the first mover observes the move of nature ex post and is able to infer if the second mover cooperated. In the treatment with low visibility, the realized move of nature is private information for the second mover only. By comparing the percentages of cooperative choices made by second movers across two treatments, we answer a central question: is image motivation important for cooperative behavior?

Author(s): Danyang Li, James C. Cox, and Vjollca Sadiraj

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The Dominated Candidate Effect in Voting: Evidences from Laboratory Experiments and the German Federal Elections

King King Li

Max Planck Institute of Economics

ABSTRACT:

The independence of irrelevant alternative axiom (IIA) is one of the most fundamental assumptions of classical voting models. It states that if a decision maker chooses x from the choice set A , then she chooses x as well in a smaller choice set B , which is a subset of A and contains x . If the axiom holds, it implies that by adding or eliminating candidates who have no chance of winning into/out-of the election will not change the outcome (who is elected) of an election. In this study, I test the axiom using laboratory voting experiments and data from the German federal elections. In one experiment, voters vote on how much to allocate a fixed amount of money between themselves and others. It is found that voters are more likely to vote for 4 euro when voting between allocating 2, 4, or 10 out of 10 euro to the other player than when voting between 2 and 4 euro. A significant proportion of voters violated the IIA axiom. Using data from the German federal elections, it is found that when extremely left-wing candidates participated, the share of votes of other parties on the left-wing increased. Overall, the findings from laboratory experiments and from the German federal elections suggest that adding or removing dominated candidates in elections can dramatically change the voting outcome.

Author(s): King King Li (Max Planck Institute of Economics)

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Lost in the Shuffle: An Experimental Study of the Diffusion of Responsibility in Markets

John Lightle

Florida State University

ABSTRACT:

We consider the effect of market interaction on an individual's feelings of responsibility for a profitable but unfair outcome. We report the results of an experiment in which subjects can buy or sell the right to allocate money between themselves and a third party. Approximately half of the subjects are willing to sell at a price that increases their payoff relative to the decision they would otherwise make, even though one could rationally assume that this comes at the expense of the third party. We show that subjects who sell feel less responsible for the third party's payoff. We discuss the implications of the "moral race to the bottom" when self-interested actors take advantage of the fact that most market participants are apathetic toward the outcomes they indirectly cause.

Author(s): John Lightle, John Hamman, Sean Collins

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Crowdsourcing with All-pay Auctions: a Field Experiment on Taskcn

Tracy Liu

University of Michigan

ABSTRACT:

In a field experiment on Taskcn, a large Chinese all-pay auction crowdsourcing site, we systematically vary the size of the reward, with or without a soft reserve in the form of the early entry of a high-quality submission. Consistent with theory, a higher reward induces significantly more submissions, and marginally higher quality. Unpredicted by standard theory, however, users with prior winning experience are significantly less likely to enter tasks with a soft reserve than those without. Consequently, the soft reserve results in significantly lower quality in subsequent submissions.

Author(s): Tracy Liu, Jiang Yang, Lada Adamic, Yan Chen

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Divided Majority and Information Aggregation: a Laboratory Experiment

Aniol Llorente-Saguer

Max Planck Institute for Research on Collective Goods

ABSTRACT:

This paper reports a laboratory study of strategic voting in three-candidate elections under two different electoral systems of plurality and approval voting. We analyze a particular case of the model developed in Bouton and Castanheira (Econometrica, forthcoming): the majority is divided between two alternatives as a result of information imperfections only and the minority backs a third alternative, which the majority views as strictly inferior. The majority thus faces two problems: aggregating information and coordinating to defeat the minority candidate. We focus on (i) the comparative statics about the strategic behavior of voters, and (ii) the welfare performances of the two electoral systems, i.e. the frequency of victory of the full information Condorcet Winner. Our experiment controls for the quality of information, as well as the size of the electorate, and other theoretically relevant parameters. The design varies the size of minority. Our results support the equilibrium predictions of the Bouton-Castanheira model. First, under plurality, we find very strong support for the Duverger's Law: majority voters coordinate on one candidate when the size of the majority is sufficiently large. Second, under approval voting, majority voters double vote less than theoretically predicted but, still, double-voting increases with the size of the minority. Finally, approval voting performs very well from a welfare viewpoint, and vastly outperforms plurality.

Author(s): Laurent Bouton, Micael Castanheira, Aniol Llorente-Saguer and Jean-Benoit Pilet

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Social Exclusion and Identity: a Field Experiment with Hispanic Immigrants

Natalia Candelo Londono

University of Texas at Dallas

ABSTRACT:

In this paper we show that immigrants contributions to actual public goods decrease the more they face relative social exclusion and the less they identify with a National identity from the host country. We propose an augmented version of Andreoni's (1990) warm model by incorporating social identity and social exclusion, as described in Akerlof and Kranton's (2003) poverty and social exclusion model. We test the predictions with a field experiment that has as subjects Hispanic immigrants from three low income neighborhoods in Dallas, TX. We implement voluntary contribution mechanism experiments that send the contributions in the group account to actual public goods that provide three separate public services like education, job training and health. Our results are consistent with Andreoni's augmented warm glow model predictions and Akerlof and Kranton's dynamic predictions which forecast social exclusion and fractionalization of social identities to perpetuate poverty cycles among minority groups. We also find that English, as a language spoken at home, can be manipulated as a policy mechanism to deter poverty cycles since it impacts negatively relative social exclusion and positively U.S. National identity.

Author(s): Natalia Candelo-Londono, Rachel T. A. Croson and Xin (Sherry) Li

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Can Personality Explain What is Underlying Women's Unwillingness to Compete?

Julia Muller

AWI, University of Heidelberg

ABSTRACT:

There is ample evidence that women do not react to competition as men do and are less willing to enter a competition than men (e.g., Gneezy et al.(2003), Niederle and Vesterlund (2007)). In this paper, we use personality variables to understand the underlying motives of women (and men) to enter a competition or avoid it. We use the Big Five personality factors (Goldberg (1981), McCrae and Costa JR (2003)), where especially neuroticism has been related to performance in achievement settings. We first test whether scores on the Big Five are related to performance in our experiment, and second how this is related to incentives. We can show that the sex difference in the willingness to enter a competition is mediated by neuroticism and further that neuroticism is negatively related to performance in competition. This raises the possibility that those women who do not choose competitive incentives “know” that they should not.

Author(s): Julia Muller, Christiane Schwieren

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An Experimental Investigation of Behaviour Based Price Discrimination

Ammara Mahmood

Said Business School

ABSTRACT:

Price discrimination based on consumer purchase histories is widely prevalent in competitive industries. While microeconomic models suggest that behavior-based price discrimination results in discounts to approach competitor's customers and higher prices for existing customers, firms pricing behavior often differs from this prediction. This paper approaches behavior-based price discrimination experimentally to identify behavioral customer characteristics that influence discriminatory pricing strategies. Our results confirm the theoretical predictions: We find evidence that behavior-based price discrimination results in lower prices for new customers and higher prices for existing customers. Thereby, stochastic customer preferences reduce the incidence of price discrimination; in contrast customer heterogeneity intensifies price discrimination. Consequently, the manipulation of behavioral customer characteristics impacts profits. We also find evidence of repeat purchase behavior amongst buyers and an aversion for add-on charges.

Author(s): Ammara Mahmood

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Nudges, Attention, and Mistakes

Daniel Martin

New York University

ABSTRACT:

“Nudge” policies designed by behavioral economists are increasingly in vogue (see Thaler and Sunstein [2008]). A particularly important tool used to nudge decision makers (DMs) is specification of a default option. Ideally such a nudge provides useful information to the DM on the appropriate private choices, helping thereby to “make the right choice the easy choice.” We develop a simple model of nudges to liberate progress on the design and implementation of appropriate nudge policies. We focus on what a particularly salient case, in which decision makers (DMs) are poorly informed and might make important mistakes if left to themselves. A benefit of our theory is that it indicates precisely how to test for the impact of nudges in an experimental setting. We introduce just such an experiment and confirm the importance of the attentional channel.

Author(s): Andrew Caplin and Daniel Martin

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Information Targeting and Coordination: An Experimental Study

Sandra Maximiano

Purdue University

ABSTRACT:

In this study we explore the role of information targeting and its effect on coordination in a multi-threshold public goods game. We consider four treatments, three in which we give feedback about other members contributions to a subsample of group members and another treatment in which feedback is not provided at all. Our three information treatments vary in whom receives the information, which can be given randomly, to those whose contributions are below the average of their group, or to those whose contributions are above the average of their group. Results show improvements in coordination when information targeting is used, resulting in an increased allocation to the public good. In contrast, providing information randomly does not improve cooperation and coordination in a higher quality good as compared to the no information treatment. Moreover, randomly information strategy eventually degrades towards free-riding over time. Our random information treatment approximates strategies currently used in practice for educating consumers about digital piracy, as well as other situations where information targeting may be useful. Our findings provide insights that may be used in practice to develop consumer education and marketing strategies for reducing the digital piracy problem. The implications of this research may also be employed by management in other contexts where positively or negatively affecting coordination between consumers is of interest.

Author(s): Matthew Hashim, Sandra Maximiano, Karthik Kannan

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The Enemy You Can't See: An Investigation of the Disruption of Dark Networks

Michael McBride

UC Irvine

ABSTRACT:

We examine the optimal disruption of dark (covert and illegal) networks. Of central importance is that an interventionist will generally have imperfect information about the dark network's architecture. We derive the optimal disruption strategy in a stylized model of dark network intervention with imperfect information and show how it combines features of two types of disruption considered in the literature: random failure and targeted attacks. In particular, the optimal disruption strategy encourages greater risk as less of the architecture is observed. A laboratory experiment finds that subjects tasked with disrupting a dark network qualitatively mimic the theoretical predictions.

Author(s): Michael McBride, David Hewitt

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An Experimental Study of Trust Networks

Kevin McCabe

George Mason University

ABSTRACT:

We conduct an experiment inside a virtual world where subjects belong to different villages. Within a village subjects can harvest rings or circles, when consumed these are worth 10 cents each. Villagers can also combine a ring and a circle to produce triangles that are worth 40 cents each. To get rings and circles Villagers must learn to either share the harvesters or they must trade. Both types of behavior require trust. Furthermore, subjects can combine triangles from different villages to produce diamonds worth 160 cents. This can only be accomplished through trade with other villages. Treatments include resource productivity within a village, and monopoly diamond trade through the requirement that one villages triangles must always be used to produce diamonds.

Author(s): Peter Chin, Kevin McCabe, Peter Twieg

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Fundraising Goals

Michael Menietti

NASA Tournament Lab

ABSTRACT:

When beginning a new project charities typically appeal to donors with a fundraising goal and a description of the project. For example, an organization may announce a \$200 million campaign to construct a new hospital.

While goals are commonly used by fundraisers, there is little theoretical understanding of why they should be successful. We argue that the success of goals may result from provision being more certain at the goal level.

The goal induces a threshold like effect on the donors generating a subgame perfect equilibrium with larger total donations than the equivalent game without a goal.

Experimental data suggests that announcing a goal does benefit fundraisers.

Reducing the uncertainty at the goal does not further increase contributions to fundraisers, but does benefit donors.

Simulations of large economies indicate the effect on the size of donations can be quite large, substantially increasing donations while simultaneously enlarging the set of contributors.

Author(s): Michael Menietti

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Auction Design for Land Use Policy: Thin Markets and Market Power

Garrett Milam

University of Puget Sound

ABSTRACT:

Reverse auction institutions show promise in introducing market discipline into policy arenas such as Transferable Development Rights where transactions are currently dominated by bilateral negotiation. The paucity of bidders and asymmetry in property holdings in such markets introduces opportunities for the exercise of market power. Here we contrast several candidate auction mechanisms within the lab with regard to their efficiency and ability to achieve policy goals. Early results show evidence of a relation between market power induced inefficiency and the location of marginal assets relative to the fixed purchase budget.

Author(s): Garrett H. Milam

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Framing and Gender: It's all about the Women

Johanna Mollerstrom

Harvard University

ABSTRACT:

Framing effects, i.e. the fact that people behave differently in situations that are identical except for how they are described, have been studied intensely since the concept was launched by Kahneman and Tversky (1979). Recent research shows that frames do not seem to operate through a change in preferences, which has previously been hypothesized. Instead, frames are coordination devices and serve to influence beliefs. Furthermore, research in psychology show that women are often more responsive to contextual factors and are faster to update their beliefs about others behavior. This leads us to hypothesize that framing effects could be stronger for women than for men. In this paper this hypothesis is tested experimentally and found to be true. In addition to presenting underlying theory and experimental evidence, we discuss the implications of this finding for other areas within experimental economics.

Author(s): Tore Ellingsen, Magnus Johannesson, Johanna Mollerstrom, Sara Munkhammar

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Measuring Social Preferences and Predicting Cooperation

Ryan Murphy

ETH Zurich

ABSTRACT:

Narrow self interest is often used as a simplifying assumption when studying people making decisions in social contexts. Nonetheless, people exhibit a wide range of different motivations when choosing among interdependent outcomes. Measuring the magnitude of the concern for others, sometimes called social preferences, other-regarding preferences, welfare tradeoff ratios, or Social Value Orientation (SVO), has been an interest of many economists and psychologists for decades and several different measurement methods have been developed thus far. Here we introduce a new measure of SVO that has several advantages over existent methods. For instance, the measure yields a continuous unidimensional scale of SVO, allows for distinguishing between inequality aversion and efficiency concerns (joint gain maximization), is easy to use and has very good psychometric properties. Measuring SVO on a continuous unidimensional scale allows researchers to use the full explanatory potential of the construct due to unrestricted statistical power. Moreover, since the measure yields a high resolution output, the detection of subtle yet important effects is facilitated and opens the opportunity to use SVO also as a dependent variable. A detailed description of the new measurement method is provided, along with norming data that provides evidence of its solid psychometric properties. We conclude with a demonstration of how this construct can be particularly useful in predicting cooperation in social dilemmas.

Author(s): Ryan O. Murphy, Kurt A. Ackermann

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A Field Experiment on Sharing In a Risky Environment. Evidence from Kamchatka, Russia

James Murphy

University of Alaska Anchorage

ABSTRACT:

Much of the discussion about motivation for food sharing among hunter-gather societies focuses on explanations such as kin selection, mutualism or costly-signaling (among others), yet there is little discussion about the extent to which food sharing may be used to facilitate higher levels of cooperation by rewarding pro-social behavior. Sharing may also be an effective tool to smooth consumption in risky environments.

To test hypotheses about sharing as a mechanism to improve cooperation and to smooth consumption this paper presents the results from a series of social dilemma experiments in rural areas of Kamchatka, Russia conducted in the Summer 2011. The paper seeks to answer questions about whether sharing in subsistence economies is motivated, at least in part, by a desire to share idiosyncratic risk, and if so, the conditions under which people share. The paper also asks whether sharing facilitates higher levels of cooperation, or if it just smooths consumption.

As a baseline, the first stage in all experiments is a standard linear public goods game. The second stage introduces the treatments which include (a) the ability to share with other group members, and (b) idiosyncratic risk in which all earnings are lost with the exception of any money received from other group members.

Preliminary results provide weak support for the risk sharing hypothesis, except when individuals are able to observe the decisions of other group members not only in the current period, but also in all previous periods. Although sharing is widespread, there is no evidence that sharing is used to reward pro-social behavior. Those in need, i.e. the shock victims, do tend to receive more money from other group members.

Author(s): E. Lance Howe, James J. Murphy, Drew Gerkey

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Incentivizing Early-Bidding Using Credits in Second-Price Internet Auctions

Lindsey Nagy

University of Arizona

ABSTRACT:

In second-price Internet auctions with fixed ending times, such as eBay, bidders often do not follow the recommended strategy of bidding their maximum willingness to pay at the beginning of the auction. A number of bidders wait until the last few seconds of the auction to place their bids, referred to as “sniping”. Field data has shown that final selling prices tend to be lower in auctions where bidders snipe than in auctions where bidders bid early. This paper theoretically investigates whether sellers can increase profits in auctions resembling the eBay format via the implementation of bidder credits. The model predicts that providing a credit, similar to a coupon or discount, for early bidding can increase seller profit; while at the same time, it discourages bidders from strategically delaying bid submission until the last few seconds of the auction, i.e., the credit thwarts sniping.

Author(s): Lindsey Nagy

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Aggressiveness, Anxiousness and Entry Games: How Trait Emotions Affect Strategic Behavior

Zvika Neeman

Boston University

ABSTRACT:

We investigate the effect of two trait emotions, aggressiveness and anxiousness, on market-entry decisions. According to the big 5 personality model both traits are facets of the same personality domain: Neuroticism. Therefore, individuals who are high in Neuroticism will also be high in aggressiveness and anxiousness. However, the psychological experience and behavioral implications of these emotions are very different. Anxiousness creates feelings of fear, worry, uneasiness, and dread, and promotes behavioral patterns of withdrawal. In contrast, aggressiveness is associated with certainty and control, and approach-behaviors such as risky decisions. To test that, we first measure individual propensities towards trait anxiousness and aggressiveness. Then, participants repeatedly play a market-entry game. In each round they are randomly matched with a new partner, and decide independently whether to enter a competitive market. Entering the market results in a gain if the opponent stays out, and a loss otherwise. Before deciding, participants receive information regarding the personality of the opponent. We find that anxiousness and aggressiveness are indeed correlated, but have differential effects on behavior in the entry game. While anxious players enter the market less, aggressive players enter more (for a given level of anxiousness). We also find that the entry decision is systematically affected by the personality type of the competitor.

Author(s): Zvika Neeman, Tamar Kugler, Nir Vulkan

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Do Single-Sex Schools Make Boys and Girls More Competitive?

Muriel Niederle

Stanford University

ABSTRACT:

We examine whether students in single-sex schools and those in mixed-sex schools differ in their selection into a competitive environment. We use a field experiment in South Korea where middle school students are randomly assigned either to a single-sex school or a mixed-sex school. Participants solve a real task, adding up sets of five two-digit numbers, first under a noncompetitive piece rate and then a competitive tournament incentive scheme. Although there are no gender differences in performance, girls in single-sex schools select the tournament twice as much as girls in mixed-sex schools when choosing their compensation scheme for the next performance. In contrast, boys in single-sex schools show no difference in their selection compared to their counterparts in mixed-sex schools. The gap in tournament entry between girls in mixed-sex school and those in single-sex schools is not explained by performance, family background, and risk aversion. This is assessed through a second task, where participants decide on the payment scheme of a past performance. This final choice measures, among others, risk aversion, but not competitiveness, since subjects do not have to perform in the task anymore (see also Niederle and Vesterlund, 2007). In that task there is no difference in choice between mixed and single sex schools, for both boys and girls. Furthermore, the difference in tournament entry for girls between mixed and single sex schools is significantly greater than any such difference found when subjects simply decide on how to be paid for a past performance. The results suggest that being educated in a single-sex school rather than a mixed-sex school makes girls embrace competition more.

Author(s): Soohyung Lee, Muriel Niederle Namwook Kang

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Individual Learning in Games with Asymmetric Information

Olexandr Nikolaychuk

CERGE-EI

ABSTRACT:

We conduct a series of laboratory experiments to investigate individual learning in repeated 2x2 games with asymmetric information about the payoff matrix and limited environment feedback. Using computerized players allows us to perform separate analyses of behavior of informed and uninformed subjects and disentangle the role of beliefs about the opponent in one's behavioral response to a change in information conditions. The findings are as follows: (1) information conditions can work as an equilibrium selection device in games with a multiple of those but have no equilibrium consequences for games with a unique equilibrium prediction; (2) uninformed subjects are prone to teaching by the informed opponent; (3) informed subjects are willing to exploit the opponent or commit to teaching if that is in their interest; (4) one's behavioral response to beliefs about the amount of information available to the opponent depends on the amount of information available to self. Finally, we provide estimates of welfare implications of information asymmetry.

Author(s): Olexandr Nikolaychuk

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Gender Differences in Competition Attitudes: A Developed Country Phenomenon?

Megan O'Malley

Loyola Marymount University

ABSTRACT:

A recent field of literature suggests that men are more competitive than women in patriarchal societies, as shown in decision experiments. In this paper we present the results from a decision experiment run in southern India. In setup akin to Niederle & Vesterlund (2007), participants engage in a gender-neutral addition task for several rounds and make decisions based on payment preferences. We examine how competitiveness is affected by confidence levels, risk as measured by Dave et al. 2010 task, personality characteristics, as well as various demographic information. We confirm the typical gender differences in risk attitudes with males making more risky choices than females, but risk attitudes are not related to choices of payment schemes. Contrary to previous results, most of the typical differences between male and female behavior do not emerge.

Author(s): Megan O'Malley, Dorothea Herreiner

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Games of Economic Survival

Ryan Oprea

University of California, Santa Cruz

ABSTRACT:

Subjects in a controlled laboratory experiment choose a withdraw policy from a cash flow evolving according to an arithmetic Brownian motion. Earnings are based on total withdraws but aggressive withdraw policies expose the subject to risk of ruin. The policy that maximizes expected earnings does not, in general, maximize the odds of survival. We find that in treatments in which wealth maximization is consistent with a high rate of survival, the median subject quickly adjusts to the optimum. In treatments in which survival and wealth maximization are sharply at odds, the median subject exhibits a bias towards survival, persistently holding excess cash. The experimental design ensures that this bias towards survival is not a simple outgrowth of standard risk aversion.

Author(s): Ryan Oprea

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Is it All Connected? Understanding the Relationship Between Behavioral Phenomena

Pietro Ortoleva

California Institute of Technology

ABSTRACT:

This paper investigates experimentally the empirical relationship between 15 well known behavioral phenomena, including: risk, ambiguity, and loss aversion, present, status quo and certainty bias, discount rate, endowment and reflection effect, preference for early resolution of uncertainty, plus 7 psychological and demographic measures. We find evidence for several strong relationships between these phenomena, suggesting that they should not be considered in isolation. Our findings in part confirms and in parts contradicts previous theories or standard intuition. Agents discount rate to the present is positively connected to their risk aversion, but not to their ambiguity aversion, while present bias is connected with certainty bias. Risk and ambiguity aversion are not related, but more ambiguity averse subjects tend to be more certainty biased. We also find no relation between either the endowment effect or status quo bias and loss aversion, although the first two measures are (positively) related to each other. There is also a strong positive relation between ambiguity and loss aversion, and no relation between the latter and the reflection effect. The giving behavior in the trust game is related to ambiguity aversion, but unrelated to risk aversion, loss aversion, and certainty bias. Finally, our measures of cognitive ability have a fairly small explanatory power on other variables, while personality traits from psychology are related to economic measures, although not in the way that we would have predicted.

Author(s): Mark Dean and Pietro Ortoleva

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The Control Premium: A Preference for Payoff Autonomy

David Owens

Haverford College

ABSTRACT:

Many people prefer to retain control over the events that impact their payoffs, both monetary and otherwise. This is consistent with overconfidence, as self-reliance is a payoff-maximizing response to a belief that one's own success is likely. In an experimental setting, this paper explores a complementary motivation underlying such a preference for payoff autonomy. Specifically, we explore whether subjects are willing to accept a lower expected payoff, according to their own beliefs, to retain control of their payoffs.

In our design, subjects estimate the likelihood that both they and a randomly selected colleague will correctly answer two independent series of logic questions. They then make a series of binary choices between two assets: one that pays only if they answer a randomly selected question correctly, the other only if their colleague does so. We find evidence of relative overconfidence, as subjects estimate their own likelihood of success to be higher in 55% of binary choices. However, they choose the payoff contingent on their own correct answer in 60% of binary choices. The 5% difference has two implications: first, subjects are willing to pay for payoff autonomy. Second, extrapolating beliefs from choices can be problematic in some settings. Had we not first elicited beliefs, for example, we could have inferred that subjects believed their own success to be more likely in 60% of choices, and overestimated the degree of overconfidence in our sample.

Author(s): David Owens, Ryan Fackler and Zachary Grossman

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Auctioning Multiple Objects to Constrained Bidders

Erkut Ozbay

University of Maryland

ABSTRACT:

This paper studies the dynamics by which populations with heterogeneous preferences for local public good provision sort themselves into communities. I conduct laboratory experiments to consider which institutions may best facilitate efficient self-organization when residents are able to move freely between locations. I find that institutions requiring all residents of a community to pay equal taxes enable subjects to sort into stable, homogeneous communities. However, populations can find themselves stuck at local, inefficient equilibria. Though sorted, residents may fail to attain the level of public good provision best suited for them and the system dynamics are crucial for determining whether subjects reach optimally-designed communities. When residents are able to vote for local tax policies with their ballots as well as with their feet, the inefficient local equilibria are eliminated, and each community converges to the most efficient outcome for its population.

Author(s): L. Ausubel, P. Cramton, E. Filiz-Ozbay, and E. Ozbay

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Social approval, Competition and Cooperation

Xiaofei (Sophia) Pan

George Mason University

ABSTRACT:

Hollander (1990) argued that when non-monetary social approval from peers is sufficiently valuable, it works to promote cooperation. Hollander, however, did not define the characteristics of environments in which high valued approval is likely to occur. This paper provides evidence from a laboratory experiment indicating that people under competition value approval highly, but only when winners earn visible rewards through approval. The evidence implies that approval's value is tied to signaling motives. Our findings point to new institutions that rely on reward, rather than punishment, to efficiently promote generosity in groups.

Author(s): Xiaofei (Sophia) Pan and Daniel Houser

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Credible Signaling and Nonrandom Matching in a Real-Time Trust Dilemma

Jim Parco

Colorado College

ABSTRACT:

We report the results of a study of a new class of trust dilemmas that we model as non-cooperative n-person games evolving in real time. In this trust-based dilemma, members of a group interact repeatedly over a prespecified time interval, and as long as all n group members continue cooperating with one another their payoffs increase over time. Concurrently, the temptation to defect (and thereby terminating the interaction and substantially increasing one's individual payoff) also increases over time. Using the strategy method to elicit choices, our results show that when provided with the opportunity to credibly but anonymously signal their intention to cooperate by sacrificing present earnings for possible future gain, some decision makers exercise this option. By doing so, they succeed in stopping, though not reversing, the slow decline in the population cooperation level that is commonly observed in iterated trust dilemmas. We also investigate whether a decline in the population level of cooperation can be stopped, or even reversed, when random matching of group members on each round is replaced by sorting population members into groups of similar types of players according to the degree of their cooperation on earlier rounds. We subsequently present a dynamic model of signaling, heterogeneous belief updating, and stochastic best response in an effort to account for the persistent trust based cooperation observed between players as well as the differences between the reported experimental conditions.

Author(s): Ryan O. Murphy, James E. Parco, Amnon Rapoport

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Nonneutrality of Money and Expectations in Experimental General Equilibrium Environment

Luba Petersen

University of California Santa Cruz

ABSTRACT:

We construct experimental general equilibrium environments to explore whether expansionary monetary policy can lead to growth in output. We approach the economy in a 2x2 design by automating individual sides of the market as well as studying behaviour in a fully human economy. Expansionary policy occurs through a decrease in the nominal interest rate that immediately adjusts the nominal wage rate according to equilibrium predictions. Experimental findings support the theoretical predictions of the model. Workers (over)react positively to nominal wage increases, resulting in firm markups consistently exceeding the theoretical benchmark. Expectations data suggests the majority of subjects exhibit rational expectations.

Author(s): Luba Petersen

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On the Heterogeneity of Children's Decision Making: Risk Preferences

Ragan Petrie

George Mason University

ABSTRACT:

We use simple lotteries with real money stakes to explore the decision rules used by children regarding risk. We find girls are more risk averse than boys and black children are more risk taking than white children. Black boys stand out as the most risk taking of the groups. Only 16% of decision patterns are consistent with expected utility theory, and a quarter of the children reproduce choices in the Allais Paradox. These results are not solely due to decision errors. Also, we find that children behave as if they had nonlinear indifference curves, as rank-dependent expected utility theory, or as if they had a preference for certainty. Appropriate statistical comparisons of alternative models suggest that both models can explain behavior. Looking more deeply at the sex and race differences in risk preferences, we test whether these differences remain when risky decisions are framed in a way that minimizes the prevalence of homegrown framing. We find that difference across groups can be eliminated by simply manipulating the presentations of lottery choices. Our results are consistent with reference dependent preferences and differences in behavior due to homegrown rather than innate reasons.

Author(s): Marco Castillo, Paul Feraro, Jeff Jordan, Ragan Petrie

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Cognitive Ability, Strategic Sophistication and Learning

Victoria Prowse

Cornell University

ABSTRACT:

Little is known empirically about how cognitive ability influences how boundedly-rational agents choose and learn in strategic environments. In this paper we run a large-scale beauty contest experiment with over 500 subjects to determine how cognitive ability affects strategic sophistication, learning and reasoning about the behavior of others in a repeated strategic interaction. Our results provide new and important insights into how, in a world of bounded rationality, cognition and learning drive the evolution of strategic play over time.

In our experiment, we first test for cognitive ability using the 60 question non-verbal Raven test. The subjects then play the Beauty Contest game repeatedly with the same opponents. The subjects are either matched with opponents of similar ability or placed in mixed ability groups, and are made aware of how the matching works.

The specific questions that we are interested include, but are not limited to, the following: (i) Does cognitive ability influence behavior and success in this strategic environment? (ii) Do groups with higher average cognitive ability learn to play the Nash equilibrium more frequently and / or more quickly? (iii) Do subjects with higher cognitive ability respond more or less strongly to information about the cognitive ability of their rivals than do subjects of lower cognitive ability? (iv) Do subjects with different cognitive abilities learn differently? In particular, do they respond differently to information about which strategies worked well in the past when deciding how to behave today? (v) To what extent do non-equilibrium choices represent boundedly-rational behavior and to what extent do they instead represent best responses to anticipated boundedly-rational choices of rivals.

Some of the most interesting results can be summarized as follows: (i) On average higher cognitive ability subjects choose numbers closer to the Nash equilibrium and earn significantly more money. (ii) Cognitive ability influences learning in important ways: lower cognitive ability subjects are more likely to copy the previous choices of rivals and copy previous winning numbers, while higher cognitive ability subjects are more forward-looking. (iii) Cognitive ability has a big effect on how subjects respond to information about the cognitive ability of their rivals, suggesting that higher cognitive ability subjects anticipate better that their rivals might make boundedly-rational choices. Finally, we merge these empirical results with a structural theoretical framework to estimate different models of learning for different cognitive abilities.

Author(s): Victoria Prowse, David Gill, David Hart

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Group Outcomes and Reciprocity?

Shi Qi

Florida State University

ABSTRACT:

Group membership affects individual behavior. We determine how, by testing two competing hypotheses. One is that group membership operates through social identity; the other is that group membership allows a correlation among actions of individuals. To test these hypotheses we introduce two novel features in the experimental design. The first feature is the display of group outcomes, which allows us to assess directly the importance of relative group performance on subjects' decisions. The second is a careful choice of payments in the Dictator and Trust game, to ensure no change in the pecuniary incentives across the two games. For a precise quantitative test of the two hypotheses we develop a structural model to describe an agent's behavior across treatments. Our findings support the second hypothesis, suggesting that the role of social identity on motivating agents decisions has been exaggerated. The display of group outcomes induces a group cooperation effect, but a careful analysis of this effect reveals that participants use group outcomes as a signal to correlate their actions.

Author(s): Christos Ioannou, Shi Qi, and Aldo Rustichini

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Looking Underwater in the Lab

Jean Paul Rabanal

UC santa cruz

ABSTRACT:

The timing of default can greatly affect the individual's wealth. This paper empirically studies the optimal stopping decision, default where subjects have the alternative to stop paying a loan on the asset whose value is governed by the Brownian motion. The optimal policy is to stop when the asset value crosses the optimal threshold defined by a real deferral option, where the deferral option value depends on the volatility as well as the actions of others. Surprisingly, I find that subjects follow the theoretical predictions of the model. The neighbors effect turns out to be less important in the high volatility treatments, but in the low volatility treatments, the presence of neighbors leads to a higher rate of default.

Author(s): Jean Paul Rabanal

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Testing the Analytical Framework of Other-Regarding Preferences

Birendra Rai

Monash University

ABSTRACT:

This paper aims to assess the empirical validity of the overall theoretical framework of other-regarding preferences. We focus on those preference axioms that are common to all the prominent theories of outcome-based other-regarding preferences. This common set of preference axioms leads to a testable implication: the strict preference ranking of self over a finite number of alternatives lying on any straight line in the space of material payoffs to self and other will be single-peaked. We elicit the strict preference rankings of experimental subjects in variants of dictator and trust games using a mechanism that induces truthful revelation under quite weak assumptions. The data allow us to document the extent of single-peakedness and identify who violates single-peakedness. Potential reasons for violations of single-peakedness are delineated and the implications of our findings for theoretical modeling of other-regarding preferences are discussed.

Author(s): Vittoria Levati, Aaron Nicholas, Birendra Rai

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Endgame: Time Preference and Demand for Beliefs Two Weeks Before the Apocalypse

Justin Rao

Yahoo! Research

ABSTRACT:

We investigate the demand for beliefs as an hedonic good through the unique prism afforded by apocalyptic movements. We briefly review the history of “end of the world” religious movements and offer background on the recent California-based “Rapture” movement that expected Judgment Day to occur on May 21, 2011. We interviewed members of this movement and conducted an experiment designed to establish the existence of a demand for beliefs, while utilizing members of the 7th Day Adventist Church as controls. The results are compatible with the existence of an inelastic hedonic demand for extreme beliefs that were, from the point of view of verified evidence, untenable. We need a formal model to rationalize these findings, which demonstrates that religious beliefs in general are likely to be extreme, 0 or 1. We confirm the model’s predictions with a “regular” sample of undergrads. We also analyze the content of online messaging forums to shed light on the ways in which believers adjusted to the failure of the prophecy.

Author(s): Ned Augenblick, Jesse Cunha, Ernesto Dal Bo and Justin M. Rao

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Bayesian Rapid Optimal Adaptive Design: Applications distinguishing models of Risky Choice and Time Preference

Debajyoti Ray

California Institute of Technology

ABSTRACT:

Experimental Economics relies critically on the ability to conduct efficient and informative experiments to test competing theories. Drawing convincing conclusions in favour of one theory over another requires efficient experimental designs that use sequences of choice tests in which theories make different predictions. The idea is to rapidly choose a best (most-informative) test for each trial based on a subject's previous responses. Creating informative sequences is typically done by intuition and convention, but can be done efficiently using computational tools. These tools can be especially useful in experimental settings because experimental time and the subject's attention is precious, and the quality of data can be improved by administering shorter and more accurate tests.

Author(s): Debajyoti Ray, Daniel Golovin, Andreas Krause and Colin Camerer

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Perfectly Discriminating Contests with Incomplete Information

Lucas Rentschler

Texas A&M University

ABSTRACT:

We experimentally investigate contestant behavior in perfectly discriminating contests with incomplete information. Two valuation structures are analyzed: 1) pure common value, and 2) private and common value. In the pure common value environment, the prevalence effort expenditure above a break-even threshold is of interest. This is analogous to the widely observed winner's curse in first-price auctions. In the private and common value environment, efficiency concerns are also relevant. A large body of past work has found that when laboratory subjects consciously try to randomize, such as in a repeated game with a mixed strategy equilibrium, they negatively autocorrelate. We hypothesize that deliberate decision-making, in its very nature, makes randomization difficult, where in contrast, automatic processing does not. Laboratory subjects played a 2x2 mixed-strategy game and we varied the time between decisions, and the cognitive load, by adding a word search task played between rounds. We find that factors which make it harder to remember the last action, cognitive load and long wait times, lead to much better randomization. We confirm this finding using field data from soccer shootouts in which a goalie plays a number of times in quick succession, as compared to those previously studied, which were taken one-off during the course of the game. In shootouts, goalies tend to negatively autocorrelate, whereas shooters, who only shoot once each, do not. In both settings, a key to randomizing appears to be not trying to.

Author(s): Diego Aycinena, Rimvydas Baltaduonis, Lucas Rentschler

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On The Escalation and De-Escalation Of Conflict

Ernesto Reuben

Columbia University

ABSTRACT:

We extend the Hirshleifer-Skaperdas conflict game with a post-contest phase which varies in the type of actions players can engage in once the winner of the contest is determined. Moreover, players have the option to avoid conflict altogether and build a peaceful relationship. We show experimentally that the possibility of conditional retaliation by the defeated player is crucial for efficiency improving adaptive behavior of contestants. Our main finding is that conflict levels are considerably reduced mostly because some groups manage to attain peace, often after substantial initial conflict. For the engineering of peace it turns out to be important that players first engage in costly signaling by making themselves vulnerable and by forgoing the possibility to take resources (money) away from their opponent. The behavioral environments of the extended conflict games examined in this paper vary in the opportunities offered in this respect.

Author(s): Juan Lacomba, Francisco Lagos, Ernesto Reuben, Frans van Winden

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Local Institutions and the Dynamics of Community Sorting

Andrea Robbett

Middlebury College

ABSTRACT:

This paper studies the dynamics by which populations with heterogeneous preferences for local public good provision sort themselves into communities. I conduct laboratory experiments to consider which institutions may best facilitate efficient self-organization when residents are able to move freely between locations. I find that institutions requiring all residents of a community to pay equal taxes enable subjects to sort into stable, homogeneous communities. However, populations can find themselves stuck at local, inefficient equilibria. Though sorted, residents may fail to attain the level of public good provision best suited for them and the system dynamics are crucial for determining whether subjects reach optimally-designed communities. When residents are able to vote for local tax policies with their ballots as well as with their feet, the inefficient local equilibria are eliminated, and each community converges to the most efficient outcome for its population.

Author(s): Andrea Robbett

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A Mechanism to Elicit Continuation Values in Experiments

Alex Roomets

University of Arizona

ABSTRACT:

We present a mechanism to elicit experimental subjects' continuation values at any point in games with discrete time and bounded payoffs. We show that, under certain assumptions, the mechanism has two important properties: truthful revelation maximizes subjects' expected payoffs, and behavior in the underlying game is unchanged when implementing the mechanism.

Author(s): Alex Roomets

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Ethnic Discrimination in an Experimental Labor Market

Tanya Rosenblat

Iowa State University

ABSTRACT:

We analyze through experiments how discrimination against ethnic minorities depends on the share of the minority in the population. In our experiment, employers set wages of workers who perform a timed real-effort task. In some treatments, we provide subtle priming to employers about the ethnicity of workers in addition to providing information on expected productivity. We conduct the experiment with students at two university campuses in China: (1) a diverse one, where minorities make up about half of the population and (2) a non-diverse one, where most participants belong to Han Chinese. We find that after controlling for labor market characteristics: (1) being an ethnic minority worker significantly decreases a worker's wage in the non-diverse population; (2) this wage reduction comes from Han employers; (3) being an ethnic minority has no significant effect on a worker's wage in the diverse population. We discuss the extent to which our results are driven by self-selection of tolerant students into diverse campuses.

Author(s): Tanya Rosenblat, Markus Mobius, Chichi Wang

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Reciprocal Favor Exchange: An Experiment in Continuous Time

Nilanjan Roy

California Institute of Technology

ABSTRACT:

This paper presents experimental evidence concerned with behavior in indefinite horizon two-person dynamic favor exchange games in continuous time. Subjects interact in continuous time for an indefinite length in pairs and occasionally, one of the subjects receives opportunity to provide a favor to the other individual with whom she is paired. Unlike the classical prisoners dilemma, this is a situation without immediate reciprocity. When opportunities to provide a favor are privately observed, changing the arrival rate of opportunities generates about the same rate of favor provision. However, a higher fraction of favors are granted when the benefit of receiving a favor is higher. Favor provision rate is significantly lower than the rate that would have been generated if everyone followed the best chips mechanism based on the count of net favors provided to the partner. There is efficiency gain associated with letting participants observe their partner's opportunities only when the return to the favor exchange relationship is low. However, similar rates of favor provision are generated under both complete information treatment and private information treatment when the benefit of receiving a favor is higher. Also considered is the effect of such informational access to partner's opportunities on the overall behavior of individuals with respect to obvious state variables. Finally, results on inequality in payoffs and volatility of the play are also presented for the various treatments.

Author(s): Nilanjan Roy

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Paradoxes and Mechanisms for Choice under Risk

Vjollca Sadiraj

Georgia State University/ AYSPS

ABSTRACT:

Experiments on choice under risk typically involve multiple decisions by individual subjects. The choice of mechanism for selecting decision(s) for payoff is an essential design feature that is often driven by appeal to the isolation hypothesis or the independence axiom. We report two experiments with 710 subjects. Experiment 1 provides the first simple test of the isolation hypothesis. Experiment 2 is a crossed design with six payoff mechanisms and five lottery pairs that can elicit four paradoxes for the independence axiom and dual independence axiom. The crossed design discriminates between: (a) behavioral deviations from postulated properties of payoff mechanisms; and (b) behavioral deviations from theoretical implications of alternative decision theories. Experiment 2 provides tests of the isolation hypothesis and four paradoxes. It also provides data for tests for portfolio effect, wealth effect, reduction, adding up, and cross-task contamination. Data from Experiment 2 suggest that a new mechanism introduced herein may be less biased than random selection of one decision for payoff.

Author(s): J.C. Cox, v. Sadiraj and U. Schmidt

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The Detrimental Effect of Agent's Reciprocity in the Competition amongst Principals

Karim Sadrieh

University of Magdeburg

ABSTRACT:

Joint ventures managers are agents of the two or more principals who have jointly invested in the project. If the manager is a reciprocal type, the investors (i.e. the principals) may compete to gain the manager's (i.e. the agent's) favor by providing side payments (e.g. career perspectives). We investigate whether and to what extent the principals' favor-seeking competition leads to a bias in the managers investment decisions. Our experimental results indicate that managers decisions are positively biased in favor of the investor who offers them the higher future payments. Anticipating the managers reciprocal behavior, the investors engage in a fierce rent-seeking competition that re-allocates income, but does not enhance efficiency. Hence, our results contradict the notion that reciprocal behavior generally increases the efficiency of organizations.

Author(s): Fan Wu, Abdolkarim Sadrieh, Birgitta Wolff

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An Investigation of the Average Bid Mechanism in Procurement Auctions

Tim Salmon

Southern Methodist University

ABSTRACT:

In a procurement context it can be quite costly for a buyer when the winning bidder underestimates the cost of a project and is forced to default on a project midway through completion. This is an especially important problem in a construction context. Auctioneers have developed a number of ways to help combat this problem and one of them is called an Average Bid Auction. This format involves awarding the contract to the bidder who has bid closest to the average of the bids submitted. At first glance, this idea might seem capable to keeping a bidder who has underestimated the cost from winning but it should then also become clear that the incentives in bidding change substantially in this mechanism compared to the more common Low Price Auction format. We compare the performance of these two mechanisms to determine how successful is the Average Bid format in preventing bidder bankruptcies while also observing how high of a price premium the seller ends up paying. Perhaps surprisingly we find that the Average Bid mechanism is quite successful at preventing bidder losses and the price premium is lower than expected.

Author(s): Wei-Shiun Chang and Timothy C. Salmon

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Visibility of Contributions and Cost of Information: An Experiment on Public Goods

Anya Savikhin

The University of Chicago

ABSTRACT:

We experimentally investigate the impact of visibility of information about contributors on contributions in a public goods game. We systematically study treatments that are similar to a wide range of situations in practice, providing new insight into why recognizing contributors increases giving. First, we vary the cost of viewing identifiable information about contributors. Second, we vary recognizing all, highest or lowest contributors. We find that recognizing all contributors significantly increases contributions relative to the baseline. When viewing information about contributors is costly, there is no significant difference in contributions as compared to the case when all contributors are displayed by default, even though participants choose to view contributors less than 10% of the time in this setting. Recognizing only the highest contributors results in marginally higher but not significantly different contributions as compared to not recognizing contributors, but recognizing only the lowest contributors is as effective as recognizing all contributors. The latter finding is in line with our conjecture that aversion from shame is a more powerful motivator for giving than anticipation of prestige.

Author(s): Anya Savikhin and Roman Sheremeta

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Is Your Employee Motivated or does she Follow Rules?

Ericka Scherenberg Farret

University of Texas at Dallas

ABSTRACT:

Previous research in principal agent theory has focused on modeling agent's preferences. Several authors describe that agents with social preferences may affect their response to a proposed contract by taking into account their own motivation or the norms set by the principal. Theories name these agents as norm based and motivated. We consider a nested model that accounts for each type of agent in one parameter. In recent years experimental research has focused on observing separately these two different types of social preferences in principal agent models. We propose a three person trust game in a principal agent environment in order to estimate the value of the previous parameter and the distribution of types of agents within a population.

Author(s): Ericka Scherenberg Farret, Daniel Arce, Catherine Eckel

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Sex Hormones, Choice under Risk, and Competitive Bidding

Burkhard Schipper

University of California, Davis

ABSTRACT:

The talk comprises of two papers:

(1) Sex Hormones and Choice under Risk: We correlate choice under risk in Holt-Laury lottery tasks for gains and losses with salivary testosterone, estradiol, progesterone, and cortisol, hormonal contraceptive use, menstrual cycle information as well as the digit ratio (2D:4D) in more than 200 subjects. Females on hormonal contraceptives are more likely to make consistent choices although this may be due to a selection effect. Risk aversion is negatively correlated with testosterone and positively correlated with cortisol, a stress hormone, for gains only. In males, testosterone is negatively correlated with risk aversion for gains only. No other significant correlations between risk aversion and salivary hormones are observed. In females, testosterone and progesterone are positively correlated with reflection, i.e., risk aversion for gains and risk seeking for losses. Testosterone is negatively correlated with consistency in females, while estradiol is negatively correlated with consistency in males. No significant correlations between risk aversion and the menstrual cycle or the digit ratio are observed. Risk aversion is positively correlated with being female for losses only. Yet, if we control for salivary hormones we are surprised to find a negative correlation between female and risk aversion for gains.

(2) Sex Hormones and Competitive Bidding: We correlate competitive bidding and profits in symmetric independent private value first-price auctions with salivary testosterone, estradiol, progesterone, and cortisol in more than 200 subjects. Females bid significantly higher and earn significantly lower profits than males. Moreover, females on hormonal contraceptives bid significantly higher and earn significantly lower profits than males. Bids are significantly positively correlated and profits are significantly negatively correlated with salivary progesterone when controlling for gender, the use of hormonal contraceptives, and demographics. This also applies to the female but not to the male subsamples separately. It especially applies to naturally cycling females not using hormonal contraceptives and to females in the luteal phase of their natural menstrual cycle when progesterone usually peaks. Surprisingly, we have null findings for testosterone. Controlling for risk aversion does not diminish our positive finding for progesterone. Yet, we show that our finding may be due to subjects with imprudent bidding behavior (i.e., weakly dominated bids). The observations with respect to progesterone are insignificant when conservative Bonferroni corrections are made for multiple testing of hormone effects.

Author(s): Burkhard C. Schipper

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Personality and Choice in Risky and Ambiguous Environments: An Experimental Study

Andrew Schotter

NYUI

ABSTRACT:

The economics of decision making under risk leaves little room for personality. Differences between people are typically summarized as differences in their risk aversion parameter, so this parameter serves as a sufficient statistic for all personality characteristics.

While this may be adequate to explain decision making at the point of choice, there are many antecedents to choice where personality differences may play a role independently of their influence on risk aversion. For example, in environments where information is sparse (e.g. decisions under ambiguity) and where decision makers are not informed about the probability distributions they face, it is many times possible for agents to acquire information that will give them at least a glimpse into what the set of probability distributions they face looks like, and thereby decrease the amount of ambiguity they face. This information acquisition may take the form of seeking information on the feasible set of probability distributions or of seeking advice from those who have experience with the situation.

We will show in this paper that personality plays an important role at the information gathering stage, in the sense that different personality types may choose to acquire different types of information which can, given a decision maker's risk attitude, lead to different choices.

Our results, we feel, are significant since if decision making is influenced by the information available to the decision maker and if information gathering strategies are a function of people's personality characteristics, then our results open the door for a systematic study of the impact of personality on economic behavior and outcomes; a study which is in its infancy. Our results allow us to go even further in that they indicate that the impact of personality on choice under ambiguity is not limited to information gathering but extends to choice in the sense that when the information gathered is held constant, personality still affects choice in ambiguous environments. This result is in contrast to what we find about choice under risk since there once agents receive full information about the probability distributions they face, personality ceases to be relevant for choice. In short, choice under ambiguity seems to be fundamentally different from choice under risk.

Author(s): Guillaume Frechette, Andrew Schotter, Isabel Trevino

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How Much Do People Value Privacy?

Dawn Schrader

Cornell University

ABSTRACT:

Google's version of Facebook, Google+, requests input of personal information, to which college students laugh, saying, ..as if Google doesn't already know. Such eliciting of personal information is ubiquitous with new technology: Foursquare maps friends current location on cell phones; Amazon tracks purchases and suggests future purchases. How much do college students value privacy? This paper reports results of a double blind laboratory experiment where participants are offered payment to provide personal information they wish to keep private, and are then asked, using the BDM, to sell the right to the experimenters to reveal that information to other participants under a variety of circumstances for a variety of prices. Willingness to pay to buy back the information is also obtained from those individuals who sell their information. Results suggest that values are extraordinarily sensitive to disclosure, but insensitive to the scope of disclosure, that is, both to the number of people in the lab who obtain the personal information, and to the probability that others will find out. We suggest that insensitivity to privacy disclosure is due to the dominance of emotion rather than rational decision-making in determining the valuation of privacy.

Author(s): Dawn Schrader, Jubo Yan, David Lundie, William Schulze

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Sequential Observation and Selection by Committee

Darryl Seale

University of Nevada Las Vegas

ABSTRACT:

In sequential observation and selection by committee an extension of the classical secretary problem -- two or more committee members review sequentially n applicants for a single job opening. As each applicant is considered, each member must make an accept or reject decision. Once rejected, an applicant cannot be recalled. Applicants appear in random order of ability and committee members, each using their own unique criteria (which are uncorrelated with the criteria used by other committee members), can at any time rank order the applicants they have reviewed thus far. Each member is concerned only with accepting an applicant whose absolute rank is among the best across all n applicants. In a two-member committee, an applicant is accepted (rejected) if both members make accept (reject) decisions. In the case of disagreement, the applicant is accepted with probability p if the first committee member chooses to accept her and probability $(1 - p)$ if the second committee member chooses to accept her. If $p = 0.5$, the two members are symmetric; as p increases, the first committee member has more influence over which applicant is accepted. After describing the optimal policies, which we use as benchmarks, we summarize the experimental results for a two-person committee with (i) symmetric members ($p = 0.5$) and (ii) asymmetric members ($p = 0.8$). Results show that in both conditions committee members stop the search too late.

Author(s): Amnon Rapoport, Darryl A. Seale, Vincent Mak

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Is Turning Out To Vote A Public Good Contribution? Evidence From Albania

Danila Serra

Florida State University

ABSTRACT:

Why do people turn out to vote? By generating positive externalities on others and requiring coordination while involving a private cost, turning out to vote resembles a public good contribution and is therefore subject to a typical collective action problem. While this has been established theoretically, the empirical evidence is fraught with measurement and identification problems. We investigate whether the motivations for turning out to vote are the same as those for contributing to a public good by comparing voter turnout with contributions to a public good in a very simple, clearly defined laboratory experiment. We conduct our study in Albania, a new democracy, which has held three parliamentary elections since the establishment of its constitution in 1998. We investigate voter turnout in two different contexts: the elections of parent class representatives in Albanian primary schools, and the 2009 parliamentary elections. We combine survey and experimental data on 1800 randomly selected parents from 180 nationally representative primary schools, with official district-level records on voter turn-out in the 2009 elections. Our findings suggest that turning out to vote is indeed a public good contribution: individuals propensities to contribute to the public good in the experiment predict both their participation in the school-level elections of parent class representatives, and the district-level voter turnout in the national elections.

Author(s): Danila Serra, Abigail Barr, Truman Packard

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Complexity and Narrow Bracketing in Credit Choice

Marta Serra-Garcia

University of Munich

ABSTRACT:

We examine experimentally whether complex loan contract terms lead to mistakes in credit choice. Subjects are confronted with loans that differ in both benefits (value) and costs (repayment). Their choices are made in two steps. First, they choose among different loans, each of them offering a set of repayment options. Next, they choose among the different repayment options. We conduct two experimental studies. In the first study we examine how increasing complexity, either in the terms of repayment or the value of loans, affects credit choice. We find that complex contract terms increase the tendency to choose the loan with higher benefits but also higher costs, leading to inferior choices than when loan terms are simple. Moreover, this effect is stronger in case the repayment terms are complex than in case the loan value terms are complex, in line with the hypothesis based on narrow bracketing. In the second study we examine whether a single loan with complex (and worse) terms is still chosen, when other loans are presented in simple terms. Interestingly, we find that this occurs when a single loan offers high benefits but complex repayment, and the other loans' terms are simple. This result suggests that firms with inferior loans might have incentives to obfuscate the repayment schedules of their loans. The paper contributes to our understanding of the relationship between complexity and narrow bracketing as well as problems in credit markets such as excessive borrowing from credit cards and over-indebtedness.

Author(s): Kenan Kalayci and Marta Serra-Garcia

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Status Quo Effects in Fairness Games: Acts of Commission vs. Acts of Omission

Maros Servatka

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ABSTRACT:

Does it make a difference whether an outcome has been achieved by taking an action or by failing to do so? In this paper we compare reciprocal responses to acts of commission that overturn the status quo and acts of omission that uphold the status quo. Axiom S of Cox, Friedman, and Sadiraj (2008) revealed altruism theory predicts that the reciprocal response to an act of commission will be stronger than the response to an act of omission. We present two experiments specifically designed to test the empirical validity of Axiom S and to provide further insights about experimental protocols under which support for Axiom S can be found. We also develop a procedure a combination of initial endowments and appropriate labeling of actions that framed the game in terms of monetary transfers that saliently identifies status quo in a laboratory setting and that puts active behavior in stark contrast with inaction. We find clear evidence in favor of Axiom S in both experiments.

Author(s): James C. Cox, Maros Servatka, and Radovan Vadovic

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Reciprocity Across Countries

Aric Shafran

Cal Poly State University

ABSTRACT:

We study reciprocity in a labor market context. To this end, we conducted an experiment investigating whether subjects from different countries perform similarly in a bilateral labor market experiment. We investigate subjects' behavior with respect to both wage offers and willingness to reciprocate generous wage offers with high labor effort. We confirm that wages affect effort levels in all countries (and treatments) and that repetition leads to higher effort levels. We find, however, considerable differences between countries in both the one-shot and the repeated interactions, the most striking between Germany and Spain.

Author(s): Ch'ng Kean Siang, Till Requate, Aric Shafran, Israel Waichman, Eva Camacho-Cuenea, Yoshio Iida, and Shosh Sharabani

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Resolving Conflicts by a Random Device

Roman Sheremeta

Chapman University

ABSTRACT:

We examine conflict resolution via a random device. We model conflict as a two-agent rent-seeking contest for a fixed prize. Before conflict arises, both agents may agree to allocate the prize by coin flip to avoid the costs of conflict. In equilibrium, risk-neutral agents with relatively symmetric conflict capabilities agree to resolve the conflict by randomization. However, with sufficiently asymmetric capabilities, conflicts are unavoidable because the stronger agent prefers to fight. Laboratory experiments confirm that the availability of the random device partially eliminates conflicts when agents are relatively symmetric; however, the device also reduces conflict between substantially asymmetric agents.

Author(s): Erik O. Kimbrough, Roman M. Sheremeta, and Timothy Shields

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Does Religion and Ethnic Identity Influence Social Preferences? Evidence from Field Experiments in the Philippines

Katerina Sherstyuk

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ABSTRACT:

We conducted field experiments in the Philippines to examine how religious and ethnic identities influence individual's behavior in economic games: (1) whether Muslims and Christians differ in their economic behavior such as risk attitudes, time discounting, dictator games and contribution to public goods; and (2) whether there are patterns of in-group favoritism and out-group discrimination among two religions and the major ethno-linguistic groups in the Philippines. Our experiments were carried out in three areas in Metro Manila with established Muslim settlements. Overall, we find no significant differences between our Muslim and Christian participants in terms of risk attitudes and time preference, and no strong evidence of in-group favoritism and out-group discrimination that follows religious or ethnic divide. However, when disaggregated by location, we find in-group favoritism among the lowest income and highly segregated Muslim community. We also find that Muslim participants tend to send higher contributions to public funds than their Christian counterparts. The findings suggest that the level of assimilation and degree of a community's segregation may have an impact on the in-group/out-group bias.

Author(s): Debbie Gundaya, Katerina Sherstyuk, Catherine Eckel, Rick Wilson, and Sun-Ki Chai

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Transparency, Efficiency and the Distribution of Economic Welfare in Pass-Through Investment Trust Games

Timothy Shields

Chapman University

ABSTRACT:

We design an experiment to examine welfare and behavior in a multi-level trust game representing a pass through investment in an intermediated market. In a repeated game, an Investor invests via an Intermediary who lends to a Borrower. A pre-experiment one-shot version of the game serves as a baseline and to type each subject. We alter the transparency of exchanges between non-adjacent parties. We find transparency of the exchanges between the investor and intermediary does not significantly affect welfare. However, transparency regarding exchanges between the intermediary and borrower promotes trust on the part of the investor, increasing welfare. Further, this has asymmetric effects: borrowers and intermediaries achieve greater welfare benefits than investors. We discuss implications for what specific aspects of financial market transparency may facilitate more efficiency.

Author(s): Thomas Rietz, Roman Sheremeta, Timothy Shields, Vernon L. Smith

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Rank, Social Group Identity, and Punishment in a Public Goods Game: Preliminary Results

Kate Silz Carson

USAF Academy

ABSTRACT:

This paper investigates whether an individual's identity as a member of a social group and relative position in that group affects willingness to punish free-riders in a public goods game. Previous studies have demonstrated that allowing subjects to punish free-riders increases cooperation in the public goods game, and that the degree of punishment is sensitive to its cost and effectiveness. In addition, research has shown that subjects' motivation for punishing non-cooperators arises not from its ability to deter non-cooperative behavior, but rather from the emotional satisfaction that comes from punishing the offenders. When all players in the game are part of a tightly-knit social group, a subject's identification with the group may diminish the rate of free-riding, but it may also diminish the other players' willingness to punish non-cooperating group members. This paper investigates whether rank and social group membership at the U.S. Air Force Academy contributes to cadets' reluctance or willingness to punish non-cooperators in a public goods experiment. We employ a standard public goods game with punishment, but in addition to knowing how much each player contributed to the group good, subjects also know the rank and military unit of the other players in the group. We investigate whether these variables affect subjects' willingness to punish non-cooperators, and the direction in which these variables act. Using a follow-up survey, we investigate players' motivations for both contributing and punishing in the game. The results have implications regarding aspects of Academy life related to enforcement of the honor code, and also to other workplace situations in which employees may be reluctant to report the improper actions of their coworkers.

Author(s): Katherine Silz Carson and Randi Smith

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A Causal Model of Contributions in Repeated Public Good Games

Alexander Smith

Worcester Polytechnic Institute

ABSTRACT:

In this paper, we examine the causal effects of beliefs about the contributions of others and previous contributions of others on contributions in repeated public good games. We use instrumental variables estimation for estimating the causal effect of beliefs, finding that beliefs are highly endogenous and have a much smaller effect on contributions than suggested by traditional least squares regressions. As a result, the past contributions of others are a much stronger determinant of contributions than beliefs. In addition to providing insight regarding the nature of reciprocity in repeated public good games, our results suggest that researchers studying relationships between actions and beliefs should account for the potential endogeneity of beliefs. In repeated games, it may be possible to use lagged variables as instruments.

Author(s): Alexander Smith

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Neural Predictors of Strikes in Asymmetric Information Bargaining

Alec Smith

Caltech

ABSTRACT:

In a simple bargaining paradigm, one informed player I learns the value of a sum S to be divided (from a commonly known distribution), and makes an offer to an uninformed player U. Any free-form bargaining protocol can be used. Some powerful principles (the revelation principle, combined with efficiency restrictions) predict the likelihood of strikes: failures to agree on an acceptable offer to U, as a function of the sum S . Our study implements this paradigm in a two-person setting. Subjects bargain for 10 seconds and indicate acceptable offers by pointing at an offer line; a video camera (Vicon) setup records finger locations and records when the fingers point to the same offer point on the line. We also record EEG scalp electrical potentials every 1msec during their process, for both subjects. There are four goals: To see how well noncooperative theory accounts for bargaining behavior (strike rates as a function of S); to see whether behavioral indicators early in the bargaining process can predict likely strikes (they do so with some accuracy); to see whether EEG signals can predict likely strikes early in the process; and to see whether two-person EEG is more predictively useful than simply recording EEG from one person (because of a two-person interaction of some kind). Preliminary analysis indicates strike rates conform to theory predictions to a surprising degree (but in a noisy way), and both behavioral and EEG signals are substantially predictive of future strikes.

Author(s): Alec Smith, Kyongsik Yun, Gidi Nave, Shin Shimojo, and Colin Camerer

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Partnership Protocols for Bilateral Trade with Incomplete Information: A Laboratory Investigation

Barry Sopher

Rutgers

ABSTRACT:

Author(s): Barry Sopher

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Price Controls and Banking in Emissions Trading: An Experimental Evaluation

John Spraggon

University of Massachusetts Amherst

ABSTRACT:

The highly uncertain costs of controlling greenhouse gas emissions have generated significant research and policy innovation in abatement cost containment measures for emissions markets. While there are several proposed methods for containing abatement costs in emissions markets, the two most important are giving firms the ability to bank emissions permits and implementing permit price controls. In this paper we provide results from a series of laboratory emissions markets that were designed to evaluate the relative effectiveness of these methods in terms of limiting permit price variation, reducing aggregate abatement costs, and limiting aggregate emissions.

Permit banking allows firms to shift abatement across time in a cost-effective manner and to hedge against permit price risk associated with uncertain abatement costs, uncertain emissions, and other stochastic elements. Imposing a permit price ceiling and floor on emission trading, a so-called price collar, is a more direct way of limiting price volatility. It is well known that a hybrid policy of price controls and emission trading is never less efficient, and is often more efficient, than a pure trading program (Roberts and Spence 1976). Price controls for emissions trading policies limit the risk associated with uncertain abatement costs in exchange for additional variation in aggregate emissions.

Most existing emissions trading programs allow some form of permit banking, and many recent proposals to control greenhouse gases also include some form of price control. (See U.S. Congressional Budget Office (2010) for several U.S. legislative examples). However, little work has been done to determine how banking provisions and price controls work together to limit permit price variability and to promote efficient abatement across firms and over time. An exception is Fell and Morgenstern (2010) who conducted numerical simulations of a U.S. cap-and-trade policy for carbon dioxide based on the emissions targets in the Low Carbon Economy Act of 2007 (U.S. Congress 2007). Their results suggest that most of the gain in cost-effectiveness of a trading program with banking (and limited borrowing) and price controls is achieved with the price controls. While numerical simulations of proposed policies provide important information about their potential performance, they are typically based on idealized behavioral and information assumptions. Economic experiments can complement numerical simulations when field data are not available by highlighting actual behavior under specific regulations in controlled environments.

Our experiments were conducted in November and December of 2010, and involved 152 subjects. So that biases about the environment or emissions trading would not confound our results, the subjects were given a more neutral environment. Subjects in each session participated in a market for a limited number of permits that allowed them to produce a fictitious good. Uncertainty about future production payoffs provided the motivation for permit banking and the justification for price controls. We utilized a 2x2 design (with/without banking

x with/without price controls). In the two treatments with permit banking, subjects could save as many permits as they wished in a period, but could not borrow permits from future allocations. In the two treatments with price controls, subjects could buy an unlimited number of additional permits at a price ceiling, and could sell an unlimited number at a price floor. The treatment that did not allow banking and did not include price controls serves as a baseline. This design allows us to determine the independent contributions of both provisions to permit market performance.

We analyze our experimental results at three levels. First, we are concerned about the independent contributions of permit banking and price controls to the suppression of permit price variability. Preliminary analysis suggests that while both containment measures reduce price variability, when the measures are combined under one policy most of the reduction in price variability is produced by the price controls.

The second level of analysis is the effects of the different policies on aggregate production benefits. Theoretically, given fixed aggregate emissions, reduced permit price variation should lead to increased aggregate production benefits because of the strict concavity of the maximum aggregate benefit function. This is a simple application of Jensen's inequality. Thus, we evaluate differences in production benefits of permit banking and price controls alone and together. (This is analogous to evaluating the cost-effectiveness of the alternative policies).

This analysis is complicated by the fact that aggregate emissions are not fixed under policies with price controls. Therefore, our third level of analysis is to assign a social value to production, analogous to a constant marginal damage parameter, to evaluate the overall efficiency of the alternative policies. We expect to find that the policy that combines permit banking and price controls is the most efficient. The relative contribution of each measure to producing more efficient outcomes is an equally important consideration .

Fell, Harrison and Richard Morgenstern. 2010. Alternative approaches to cost containment in a cap-and-trade system. *Environmental and Resource Economics* 47(2), 275-297.

Roberts, M.J. and M. Spence. 1976. "Effluent charges and licenses under uncertainty," *Journal of Public Economics* 5(3-4), 193-208.

U.S. Congress. 2007. Low carbon economy act of 2007. S.1766, 110th Congress

U.S. Congressional Budget Office. 2010. Managing allowance prices in a cap-and-trade program.

Author(s): John K. Stranlund, James J. Murphy. John M. Spraggon

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Violent Trauma and Risk Preference: Artefactual and Experimental Evidence from Afghanistan

Charles Sprenger

UCSD

ABSTRACT:

Trauma has complex and strongly enduring mental, physical, and social consequences. We investigate the relationship between violent trauma and economic risk preferences in Afghanistan by combining: (i) a novel two-part experimental procedure identifying risk preferences, violations of Expected Utility (EU), and specific preferences for certainty; (ii) controlled recollection of fear based on established methods from psychology; and (iii) artefactual violence data from precisely geocoded military records. We document a specific preference for certainty in violation of EU. Interestingly, the preference for certainty, which we term a Certainty Premium, is exacerbated by the combination of violent exposure and controlled recollection of fearful events. The results have implications for the study of individual risk-taking and are potentially actionable for both policymakers and marketers.

Author(s): Michael Callen, Mohammad Isaqzadeh, James Long, Charles Sprenger

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Experimental Choices and the Long-Term Relation to Field Behavior

Matthias Sutter

University of Innsbruck

ABSTRACT:

We study whether experimental choices that elicit teenagers risk, ambiguity and time preferences are good predictors of the teenagers long-term field behavior. For the purpose of this study, we set up a panel with more than 300 teenagers, aged 10 to 15 years, with whom we ran the first experiments in 2007. Three years later, we checked whether the experimental choices in 2007 were related to performance in school, to the likelihood to start smoking and drinking or to become overweight between 2007 and 2010. We find remarkable results. In particular, impatient teenagers in 2007 have significantly worse grades in 2010 and are more likely to have started smoking and drinking in this period. These results indicate that experimental choices may be useful to identify children at risk with respect to school performance or unhealthy behavior.

Author(s): Matthias Sutter, Daniela Rützler and Silvia Angerer

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The Independence Axiom and the Bipolar Behaviorist

J. Todd Swarthout

Georgia State University

ABSTRACT:

Developments in the theory of risk require an evaluation of the behavioral validity of the independence axiom. This axiom plays a central role in most formal statements of expected utility theory, as well as popular alternative models of decision-making under risk, such as rank-dependent utility theory. It also plays a central role in experiments used to characterize the way in which risk preferences deviate from Expected Utility Theory. If someone claims that individuals behave as if they “probability weight” outcomes, and hence violate the independence axiom, it is on the basis of experiments that have to assume the independence axiom. We refer to this as the Bipolar Behavioral Hypothesis: decision makers violate the independence axiom when directly comparing two lotteries, but they obey the axiom when evaluating the multiple lotteries that make up the incentive structure of a multiple-task experiment. We offer direct tests of the axiom and the evidence for probability weighting. We reject the Bipolar Behavioral Hypothesis: we find that non-parametric preferences estimated for the Rank-Dependent Utility model are significantly affected when one elicits choices with procedures that require the assumption of independence, as compared to choices with procedures that do not require that assumption. We then propose, and estimate, theoretically consistent models of behavior in experiments that allow for violations of the axiom whenever it applies.

Author(s): Glenn W. Harrison and J. Todd Swarthout

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Overoptimism About Future Performance: Evidence From Rebate Experiments

Joshua Tasoff

Claremont Graduate University

ABSTRACT:

We conduct a laboratory experiment in which we elicit subjects' beliefs about the likelihood that they will redeem a mail-in rebate form. By comparing subjects expected to actual redemption rates we find evidence that subjects left money on the table by being overly optimistic about their probability of redemption. Moreover, we find that overoptimism is increasing with optimism, suggesting that the consumers who are most likely to select into a rebate offer make the largest errors. We also find that overoptimism decreases with the stakes. We then test the impact of three asymmetrically-paternalistic interventions designed to help reduce overoptimism: (1) subjects in the treatment group of the second experiment are told the redemption rates of the first experiment before elicitation, (2) subjects receive email reminders about the redemption deadline, and (3) subjects' transaction costs are reduced. This final experiment is in progress.

Author(s): Joshua Tasoff and Robert Letzler

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Risk Aversion, Cognitive Ability, and Information Acquisition Across Real and Hypothetical Settings

Matthew Taylor

University of Oregon

ABSTRACT:

We collect data on real and hypothetical risky choices and information acquisition using Mouselab. We find risk preferences are not significantly different between real and hypothetical choices across or within subjects, on average. We also find that subjects with higher cognitive ability tend to be less risk averse than those with lower cognitive ability when the choices are hypothetical, but risk preferences are not related to cognitive ability when the choices are real. Subjects generally acquire enough information to ensure that their choices are consistent, and the degree of consistency is the same for the real and hypothetical settings. There are also no significant differences across settings in the amount of time subjects spend, the amount of information they acquire, or how they distribute their attention to probabilities and payoffs.

Author(s): Matthew P. Taylor

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Costly Information Acquisition in a Speculative Attack: Theory and Experiments

Isabel Trevino

New York University

ABSTRACT:

We study and test experimentally a global games model of speculative attack where agents are allowed to choose at a cost the precision of the private signal they will observe. We prove the existence of a unique equilibrium in the coordination game that is defined by the model and the existence of strategic complementarities in information acquisition. In the experiment, we find that subjects follow the type of strategies suggested by the theory, for any precision chosen, but that the number of attacks increases as subjects acquire more precise information. Therefore, acquiring more precise information is beneficial for individual welfare, but it is potentially harmful for social welfare since it increases both the incidence and success of speculative attacks.

Author(s): Isabel Trevino and Michal Szkup

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Can More be Less? An Experimental Test of the Resource Curse

Peter Twieg

George Mason University

ABSTRACT:

Several scholars have argued that natural resources are harmful to economic performance under bad institutions and helpful when institutions are good. These arguments have either been theoretical or based on naturally-occurring variation in natural resource wealth. We test this theory using a laboratory experiment to reap the benefits of randomized control. We conduct this experiment in a virtual world (Second Life) to make institutions more visceral. We find support for the theory.

Author(s): Omar Al-Ubaydli, Kevin McCabe and Peter Twieg

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Relating Risk Preference, Water Rewards, and Thirst: Wealth and Utility in Monkeys

Agnieszka Tymula

New York University

ABSTRACT:

Standard economic techniques allow us to evaluate human risk-attitudes, although it has been technically difficult to relate these measurements to the overall wealth levels standard models employ as a critical variable. Previous work has, however, applied these techniques to animals to answer two questions: 1) Do our close evolutionary relatives share both our risk attitudes and our economic rationality? 2) How does satiety state (or wealth level in the language of economics) change risk-attitudes? Previous studies have provided conflicting answers to these questions. To address these issues, we employed standard techniques from human experimental economics to measure monkey risk-attitudes (utility function curvature) for water rewards in captive rhesus macaques as a function of blood osmolality (an objective measure of water wealth). Overall, our monkey subjects were slightly risk-averse in a manner reminiscent of human choosers, but only after significant training.

Author(s): Hiroshi Yamada, Kenway Louie, Agnieszka Tymula, Paul W. Glimcher

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Testing Distributional Dependence in the Becker-DeGroot-Marschak Mechanism

Mike Urbancic

University of California, Berkeley

ABSTRACT:

The Becker-DeGroot-Marschak (BDM) mechanism is a popular method to elicit the valuations of experimental subjects due to its incentive compatibility: expected-utility maximizers have a weakly dominant strategy to report their valuations truthfully regardless of the risk attitudes and of the distribution of random prices used. Empirical evidence suggests, however, that elicitation are affected by the distribution of random prices. This study presents novel, within-subjects data of sequential BDM rounds with varied distributions to directly investigate distributional dependence. Even after accounting for the effects of learning, elicitation are found to be sensitive to distributions consistent with mass-seeking bias. More detailed instructions lead to more stable responses that are influenced less by distributional effects, but this added stability does not generally true valuations. Rather, detailed instructions induce subjects to effectively opt out of the experiment by reporting valuations of zero despite survey responses that indicate positive valuations for the good.

Author(s): Michael B, Urbancic

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Monotonicity: An Experimental Test

Radovan Vadovic

ITAM-CIE

ABSTRACT:

The Axiom of Monotonicity (AM) is a necessary condition for a number of expected utility representations, including those obtained by de Finetti (1930), von Neumann and Morgenstern (1944), Savage (1954), and Anscombe and Auman (1963). The paper reports on experiments that directly test AM by eliminating strategic uncertainty, context, and peer effects. In one treatment, the state space is simple to formulate. Here we do not observe violations of AM. When the state space is a bit more obscure, we find significant violations of AM.

Author(s): Radovan Vadovic and Tridib Sharma

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Cooperation in Dynamic Games: An Experimental Investigation

Emanuel Vespa

New York University

ABSTRACT:

Infinitely repeated games in which stage payoffs change depending on an underlying state variable are known to have a large number of equilibria related to different cooperation levels that are usually very hard to characterize. For this reason applications focus on the set of Markov equilibria, in which players use strategies that only depend on the current level of the state. This paper studies experimentally how restrictive the Markov restriction is. We implement the common pool problem in the laboratory, a dynamic game simple enough that allows to solve for history dependent equilibria. Two subjects share a common stock and in each period each one separately decides how much to extract. The stock remaining after period 1 consumption reproduces at a fixed rate to form the stock available in period 2 and the process repeats itself indefinitely. The Markov solution entails the tragedy of the commons: because of free-riding subjects move away from the efficient outcome. We find important support for the use of Markov strategies and we also identify cooperation strategies when they emerge.

Author(s): Emanuel Vespa

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How Low Can You Go? Donation Visibility in the Case of Multi Dimensional Status

Lise Vesterlund

University of Pittsburgh

ABSTRACT:

Past research finds that visibility increases giving to non-profits. One explanation for this result is that visibility enables donors to acquire status through their donation. While past work center on a model where donations serve as a signal on generosity, we examine instead a model where donations signal both relative income and generosity. Maintaining the assumption that status has consumption value we show that visibility need not increase giving when contributions signal both income and generosity status. The reason is that individuals who are perceived as wealthy will need to donate more to also be perceived as generous. Hence overall status may be decreasing in contributions. Using a lab experiment, we examine the effect of visibility on contributions when income is and is not visible. As assumed in our model we find that behavior is consistent with individuals getting consumption value from status. Furthermore we find evidence that status acquisition is a factor in the decision to donate, and that donation visibility in our set up fails to increase giving. Under the assumption that status generated by donations is nonnegative, this supports the idea of status crowd out.

Author(s): Anat Bracha and Lise Vesterlund

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To Remit, Or Not to Remit: That is the Question. A Remittance Field Experiment

Angelino Viceisza

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ABSTRACT:

We conduct a remittance field experiment among Salvadoran migrants in the metro DC area. Migrants need to decide whether or not to remit funds to their family in El Salvador and if so how much. We maintain a (2x2) design in which the migrant budget has a value of either \$400 (high stakes) or \$200 (low stakes) and the remitted funds arrive either as grocery vouchers that are non-transferable and only applicable to basic necessities (not including alcohol and cigarettes) or cash. Each migrant is randomly allocated to one of four treatments: (\$400, groceries), (\$200, groceries), (\$400, cash) and (\$200, cash). We test across these treatments to assess whether control and/or stakes affects remittance behavior. Migrants send similar proportions across groceries and cash, regardless of the budget size. Qualitative reports suggest that migrants would rather the remitted funds be used for school fees, medicine and clothing. Gender-disaggregated analysis shows that male migrants do send proportionally higher remittances when the funds arrive as cash and the remittance budget is high. Using survey data we explore the mechanisms that may give rise to this effect and find indirect evidence for a satiation hypothesis. For female migrants, we find indirect evidence in favor of conditional altruism. These findings are consistent with previous experimental literature on gender differences in preferences and decision-making, which suggests that women's social preferences tend to be more context-specific than men's. Some policy implications are discussed.

Author(s): Maximo Torero, Angelino Viceisza

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Attitudes Toward Economic Inequality

Paul Viotti

SFSU

ABSTRACT:

Author(s): Paul Viotti

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Private and Social Incentives in Effort Provision: An Online Experiment

Michael Vlassopoulos

University of Southampton

ABSTRACT:

Social incentives are relevant for the productivity of workers in the public and non-profit sector as well as in private sector firms that engage in CSR activities. This paper presents results from an online experiment aimed at comparing and quantifying the effectiveness of private and social incentives for workers' productivity on a real-effort task. Our experimental design involves 4 stages and 3 groups: group 1 works under constant performance bonus aimed at measuring the trend in productivity; group 2 works under variable performance bonus aimed at measuring the strength of private incentives; group 3 works under a constant private performance bonus and two variants of a social performance bonus received by a charity of the subject's choice, a flat one, and one related to performance, aimed at measuring the strength of social incentives, and a treatment where subjects choose how to divide a performance bonus between private earnings and a charity of their choice. We find evidence that for the whole sample the response to the social incentive is in the order of 20% rise in productivity. This response is more pronounced for two subgroups: a) the low productivity subjects (productivity in first session below median) whose response is a 40% rise in productivity, and, b) the generous subjects, that is, subjects who in the choice treatment choose to share the bonus with a charity, whose response is a 30% rise in productivity. Our back-of-the-envelope calculations indicate that these responses are quantitatively important, as an additional dollar spent on CSR is equivalent in terms of its effect on worker productivity to increasing private compensation by half a dollar.

Author(s): Mirco Tonin and Michael Vlassopoulos

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Punishment Networks in Public Goods Games: Experimental Evidence

James Walker

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ABSTRACT:

Abundant experimental evidence suggests that contributions to public goods can be sustained if agents can punish each other. In this study, we investigate the robustness of this finding if punishment opportunities are restricted to agents who are linked through punishment networks. We find that punishment networks crucially determine contributions but not efficiencies in our public goods experiment: Contributions collapse over decision rounds in groups in which not all agents can punish each other, even if the absolute punishment capacity corresponds to the complete punishment network in which all agents can punish each other. However, group earnings are similar across punishment networks and the no-punishment network because higher contributions come at the cost of more pronounced costly punishment.

Author(s): Andreas Leibbrandt, Abhijit Ramalingam, Lauri Saeaeeksvuori, James M.Walker

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Experimental Implementations and Robustness of Fully Revealing Equilibria in Multidimensional Cheap Talk

Joseph Wang

National Taiwan University

ABSTRACT:

We design experiments that capture in a simple discrete setting the strategic environment studied in the theoretical literature of multidimensional cheap talk (Battaglini, 2002). Two senders transmit information to a receiver over a 2×2 state space; interests are overall misaligned but common interests can be found between each sender and the receiver along different dimensional components of the state. We find that the frequency of the receivers fully identifying the state is significantly higher in two-sender games than in the control game with one sender, in a manner that is consistent with the respective fully and partially revealing equilibria. By manipulating the message/state space to control for the emergence of out-of-equilibrium beliefs, we observe a faster convergence to equilibrium in two-sender games when the fully revealing equilibrium is free of out-of-equilibrium beliefs and is thus robust; the frequency of full revelation outcomes is, however, significantly lower when the equilibrium requires the support of “implausible beliefs.” We rationalize our findings with a behavioral model that features a positive fraction of non-strategic, truthful senders.

Author(s): Ernest K. Lai, Wooyoung Lim, and Joseph Tao-Yi Wang

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Time Preference: Dynamic Elicitation and Applications

Stephanie Wang

Caltech

ABSTRACT:

We extend the Dynamically Optimized Sequential Experimentation (DOSE) method developed in Wang et al. (2010) to select the optimal sequence of binary choices between a smaller more immediate payoff and a larger delayed payoff. These choices are presented in a visually intuitive interface. The answers elicited by this method generate Bayesian posteriors on the various discount functions and their associated range of parameter values. Thus we can find the discount function that best characterizes each participant's time preference through his/her customized set of intertemporal choices. We discuss several applications of this method including online surveys.

Author(s): Stephanie W. Wang, Christina Wong, and Colin F. Camerer

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The Stochastic Neural Decision Process and Modelling Choice in A Mixed Strategy Game

Ryan Webb

New York University

ABSTRACT:

We develop a model of the neural decision process in strategic games with a unique mixed strategy equilibrium. In such games, players face both an incentive to best-respond to valuations and to act unpredictably. Similarly, we model choice as the result of the interaction between action value and the noise inherent in networks of spiking neurons. Our neural model generalizes to a random-utility model which gives a structural specification to the error term and makes action value observable in the spike rates of neurons. Action value is measured in the spike activity of the Superior Colliculus while monkeys play a saccade version of matching pennies and choice simulations based on these measures exhibit similar biases to our behavioural data. Through the specification of action value, an observable quantity, the model can generate a unique quantal-response equilibrium distribution and provide an explanation for why we observe equilibrium behaviour in some contexts and not others. A neural measure of value yields a glimpse at how valuations are updated in response to new information and stochastically compared, providing us with unique insight into modelling and predicting choice in strategic games.

Author(s): Ryan Webb

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Gender and Bidding Heterogeneity in Buy and Sell Auctions

Lijia Wei

Wang Yanan Institute for Studies in Economics

ABSTRACT:

We conduct independent private value/cost auction experiments using a within subject treatment of procurement and sell versions of the auctions. We also measure levels of various hormones from collected saliva samples. Our data analysis reveals female subjects' performance varies with the probability of pregnancy. A hidden Markov model shows differences in the simple bidding heuristics and the evolution of their use in equivalent buy and sell framings. Furthermore, regret do affect the transition probabilities of bidding rules in both two types of auctions.

Author(s): Jason Shachat and Lijia Wei

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Endowment Heterogeneity, Identity, Punishment and Cooperation: Evidence From A Public Good Experiment

Qian Weng

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ABSTRACT:

Using a finitely repeated public good experiment, we investigate how endowment distribution (homogenous or heterogeneous), identity strength (strong or weak), and punishment (without and with punishment opportunities) interactively influence contribution to a public good. At the aggregate level, we find that the existence of punishment opportunities is effective in fostering cooperation in all endowment distribution and identity strength combinations. When punishment is not available, strong identity can counteract the negative impact of heterogeneous endowment on cooperation, whereas it has no effect on the homogenous groups. When punishment is available, contribution rates in homogenous endowment and strong identity treatment significantly outstand the rest. At the individual level, we observe that in heterogeneous groups, when punishment is not possible, lowest endowment players on average always contribute the most share of their endowment compared to players of higher endowment levels, regardless of the strength of identity. Strong identity increases the average contribution rates in all endowment levels. When punishment is possible, players of different endowment levels contribute similar share to the public good, and identity does not have any effect.

Author(s): Qian Weng

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Communication With Multiple Senders and Multiple Dimensions: An Experiment

Alistair Wilson

NYU

ABSTRACT:

We implement the Battaglini (2002) model in the laboratory to analyze the effects of multiple senders on strategic information transmission. Our results strongly indicate that senders' messages are very close to the equilibrium construction, which in our environment shares a common form with the well-known level-k formulations. However, receivers are only able to fully extract the available information in very simple environments. When the biases are more complex, receivers fail to fully extract.

Author(s): Alistair J. Wilson and Emanuel Vespa

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Women Don't Run: Gender Differences in Candidate Entry

Jonathan Woon

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ABSTRACT:

We investigate the role of gender in the choice of whether or not to run for political office. In order to control for confounding factors that might affect the relative propensities for women and men to enter politics, we take the question of the choice to enter elections to the laboratory. The key features of our experimental design involve: (1) a task that represents policymaking ability in which there is population heterogeneity but that is also gender neutral (the addition task of Niederle and Vesterlund 2007), (2) monetary rewards that ensure that all subjects, regardless of gender, face the same incentives (conditional only on their own task ability) to run for office and to elect a representative with the highest task ability. By varying the selection mechanism, our design allows us to differentiate between potential sources of gender differences: the willingness to serve others, beliefs about one's capability to serve others, and aversion to electoral competition. Preliminary evidence indicates that there are gender differences in choices to run for office, with women less likely to run than men with similar abilities, and that such differences are specific to the competitive and strategic context of campaigns and elections.

Author(s): Kristin Kanthak, Jonathan Woon

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Gender, Age, and Ability Differences in the Demands and Effects of Performance Feedback For Competitions

David Wozniak

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ABSTRACT:

Using an artefactual field experiment of 885 adults between the ages of 18 and 95, we find males are more likely to compete than females across most age cohorts. We find that relative performance feedback eliminates the gender difference to compete among the young cohorts, but does not eliminate the gender difference to compete among the old. By making relative performance information costly, we find gender differences for the demands for feedback based on age and perceived ability levels. Older females demand more feedback than young females or males, while males do not behave differently with age. For males, buying feedback is associated with a belief that they are of high ability; for females, buying feedback is not correlated with beliefs about abilities. Our results suggest that policy approaches to removing the gender gap in the willingness to compete should consider the demands and effects for information about relative abilities. Furthermore, the demand for performance feedback should be considered an informative signal of competitiveness.

Author(s): David Wozniak, William T. Harbaugh, Ulrich Mayr

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Testing Canonical Tournament Theory: On the Impact of Risk, Social Preferences and Utility Structure

Steven Y. Wu

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ABSTRACT:

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Justification and Cooperation

Erte Xiao

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ABSTRACT:

The need for justification is a widely observed social phenomenon. This paper develops a model and reports laboratory evidence to show how pure justification pressure affects cooperative behavior in economic exchange environments. In a one-shot anonymous interaction, compared with the case when the behavior is simply observed by the audience, individuals are more likely to act on what they believe the audience thinks they should do when they also have to explain the decisions to the audience. The justification pressure significantly promotes cooperation, especially when it is salient that the audience thinks one should cooperate. We discuss the implications of our findings for shaping institutional design to promote

Author(s): Erte Xiao

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Does Gradualism Build Coordination? A Theory and Experiments

Maoliang Ye

Harvard University

ABSTRACT:

This paper studies how gradualism -- increasing required levels (stakes) of contributions slowly over time rather than requiring a high level of contribution immediately -- affects individuals' decisions to coordinate on a high-stake public project. I propose a behavioral model based on belief updating to explore why gradualism might work, and test its predictions using laboratory binary-choice minimum-effort coordination experiments. I explore the effect of gradualism under several cases: when participants are only informed whether all group members contribute (see Ye et al., 2011), and when they are informed the exact number of group members contributing. In each case, I randomly assign participants to three treatments: starting and continuing at a high stake, starting at a low stake but jumping to a high stake after a few periods, and starting at a low stake and gradually increasing the stake over time (the gradualism treatment). I find that with limited information, individuals coordinate most successfully at the high stake in the gradualism treatment relative to the other two treatments; while with a richer information structure, the advantage of gradualism shrinks over time since a richer information structure facilitates later coordination for the other two treatments when a group is close to success. Finally, I find that gradualism does not perform better when free riding is possible.

Author(s): Maoliang Ye

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Pure Effect of Homophily on Friendship Formation: Online Field Experiments Using Renren.com

Siyu Yu

UC Berkeley

ABSTRACT:

As a category of social capital, friendship has been widely discussed in social science. Previous literature implied that homophily plays an important role in friendship formation. However, studies also pointed out that the observed effect of homophily on friendship formation may be caused by some confounding factors, such as opportunity structure, balancing system, and reverse causation problem. In this paper, we firstly employ a series of online field experiments on the largest SNS website in China, Renren.com, to clearly achieve the causal effect of homophily. In this experiment, we use fictitious accounts that only differ in degrees of homophily (manipulated by hometown residence overlaps) to apply friendship with 688 real users. The result shows that homophily enhance friendship acceptance significantly and with incremental effect. Gender difference is also demonstrated. Additionally, we test that whether homophily and social status can work concurrently, and find although interaction on the whole, when the social status is high enough, the effect of homophily can be overwhelmed.

Author(s): Siyu Yu, Yu Xie

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Implementing Infinitely Repeated Games in the Laboratory

Sevgi Yuksel

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ABSTRACT:

Predictions of the theory of infinitely repeated games are increasingly tested in the Laboratory. The standard method for implementing such games is to use random termination as proposed by Roth and Murnighan (1978). This method links the expected number of plays of the stage game with the discount factor. For some games, it is useful to observe many decisions per game although there may be a need to keep the discount factor not too high. To achieve this, some methods have been proposed that allow the researcher to vary the number of stage game played while keeping the discount factor constant. One such method involves a fixed number of stage game with payoff discounting followed by random termination (Cabral, Ozbay, and Schotter, 2001). Another method proposed by Cooper and Kuhn (2010) also starts with a fixed number of stage game with payoff discounting but is followed by a coordination game that corresponds to the continuation game if one restricts attention to two particular repeated game strategies. Finally, we propose a new method which involves playing multiple stage games which may or may not count towards final payoffs depending on random termination, a method we refer to as the Block Random procedure. We compare the performance of each of these methods. Four key results stand out. 1) We find cooperation levels to be highly sensitive to whether or not cooperation can be theoretically sustained in all four methods. 2) Behavior within a game indicates that the cooperation that is observed in the Cooper-Kuhn design is not supported by dynamic incentives as in the theory of infinitely repeated games. 3) Among the Roth-Murnighan, Cabral-Ozbay-Schotter, and Block Random methods, the first one results in the highest level of cooperation. 4) However, all three generate the same level of stability of cooperation within the repeated game. We also document the evolution of cooperation across each method and the strategies subjects use.

Author(s): Guillaume Frechette, Andrew Schotter, Sevgi Yuksel

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Negative Affect and Overconfidence: A Laboratory Investigation of the Effects of Fear, Anger, and Sadness

Homa Zarghamee

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ABSTRACT:

Financial crises, job losses, and other realities of the economy can be the prime drivers of negative sentiments among the populous, yet whether these negative sentiments, in turn, affect economic decision-making has gone largely unstudied. The effect of good mood on economic decisions has been identified in a number of different domains including overconfidence. Overconfidence violates standard utility theory, is prevalent across a range of economic actors, and has been shown to have important consequences. This paper studies the impact of negative moods--specifically fear, anger, and sadness --on this important determinant of behavior in a random-assignment experiment with mood-inducement. Psychological and neural research has established the independence of the effects of positive and negative moods, so the effect of negative moods cannot be inferred from positive-mood research. Empirical investigation of the effects of particular negative moods on behavior is further warranted because psychological research gives rise to varying predictions depending on the specific affective state. For example, the effect of fear is attributed to the sense of uncertainty it gives rise to, leading decision makers to carefully scrutinize available information. In contrast, emotions characterized by certainty--such as anger--lead to relying on heuristic cues. Sadness may impact behavior by increasing concentration and thoughtfulness in an effort to be distracted from the source of sadness.

Author(s): John Ifcher and Homa Zarghamee

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Information and Coordination in Community-Based Monitoring of Public Services

Andrew Zeitlin

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ABSTRACT:

Community-based monitoring of public service delivery has received much attention among development policymakers (World Bank 2004), as an approach to accountability when state oversight is limited. In spite of this, estimated effects are variable, and little is understood about the mechanisms through which such policies operate or how they should be designed (Olken 2007; Banerjee et al. 2008; Bjorkman and Svensson 2009; Duflo et al. 2009). Bjorkman and Svensson (2009, 2010) posit two potential channels through which such interventions may operate even when unaccompanied by financial incentives: the provision of information, and the coordination of expectations and actions. However, existing studies are limited in their ability to isolate these mediating channels through observed heterogeneity in treatment response (Green et al. 2010).

In this paper we report results of a field experiment in 100 Ugandan primary schools, which randomly assigns School Management Committees (SMCs) either to receive training in a standard, informational tool, or to a treatment that further engaged the SMC in a participatory process intended to facilitate coordination. We find comparatively large and statistically significant effects of the participatory variant on learning outcomes and on intermediate inputs such as teacher absence, in spite of the fact that the latter are a focus of the standard, informational treatment. To further test the participation mechanism, we conduct a public goods game among SMC members immediately following training. We find evidence of a positive average effect of the participatory treatment on parents public goods contributions. Further, following claims in the literature that ethnic heterogeneity constrains responses to coordination problems (Habyarimana et al. 2007; Bjorkman and Svensson 2010), we show that the participatory treatment has larger effects on laboratory public-goods behavior in relatively homogeneous schools. By combining field-experimental variation designed to isolate a causal mechanism with a related laboratory measure, these results provide evidence of the coordinating role of community-monitoring interventions.

Author(s): Andrew Zeitlin, Abigail Barr, Frederick Mugisha, and Pieter Serneels

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Preferences for Consistency

Florian Zimmermann

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ABSTRACT:

This paper studies how a preference for consistency can affect economic decision-making. We propose a two-period model where people have a preference for consistency because consistent behavior allows them to signal personal and intellectual strength. We then present three experiments that study main predictions and implications of the model. The first is a simple principal-agent experiment that shows that consistency is valued by others and that this value is anticipated. The second experiment underlines the crucial role of early commitment for consistency preferences. Finally we show how preferences for consistency can be used to manipulate choices.

Author(s): Armin Falk and Florian Zimmermann

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