

Tuesday 25/09/18

16:00

R 511

Cognitive Models I



Tjaša Omerzu

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Establishing judgment policies in the absence of feedback

(Tjasa Omerzu, Maarten Speekenbrink, Janina A. Hoffmann)

The ability to make judgments is a core capacity in personal and professional life. Individuals spontaneously form impressions about strangers based on their clothing style or facial expressions and employees prioritize their daily duties according to urgency and importance. In those daily judgment situations, individuals often evaluate the object under consideration based upon subjective standards without receiving objective feedback. Our study aimed to disentangle which statistical properties of the environment attract people's attention and to infer the degree to which participants jointly consider several pieces of information. Particularly, we investigated if people preferably attend to cues that provide highly variable information or to cues that convey more information. Second, we investigated to what degree people only rely on one cue or integrate information from several cues. To test those predictions, participants intuitively judged abstract stimuli consisting of three cues on a self-defined scale from 0 to 100. One of the cues systematically differed from the other cues in its variability and informativeness, allowing us to contrast across several conditions whether variability or informativeness plays a larger role for judgment formation. The results suggest that on average participants developed highly consistent judgments during the experiment but judged the same stimuli less consistently in conditions in which the cues provided less variable information. Moreover, to address the question of how many pieces of information participants considered, we estimated four linear regression models to participants' judgments in the last training block and predicted their judgments for unseen test objects. This analysis revealed that participants weighted all cues equally in their judgment and, as suggested in a follow-up study, those intuitive judgments were learned successfully by another person - though not to the same level of consistency. Taken together, these results suggest that participants were able to learn intuitive judgments and the study gave us some insight into the way they are formed.



Nadiia Makarina

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Attentional processes in multiple-cue judgments

(Nadiia Makarina, Janina A. Hoffmann)

Attentional processes in multiple-cue judgments. To make accurate everyday decisions, individuals need to find out which pieces of information are relevant for the decision at hand and which aspects they can ignore. For example, when booking a plane ticket to attend a conference one might consider departure time and flight duration more important than baggage allowance. Yet, how individuals weigh these different aspects in their decision may change as a function of the situational context or time. For instance, baggage allowance may suddenly become highly important when planning a vacation with the family. The present study addresses the question of how basic attentional mechanisms interact with the importance people assign to different aspects and thereby allow individuals to detect and adapt to changes in the features' importance. Specifically, past research suggests that individuals pay more attention to salient information, if they do not possess much prior knowledge about the decision task, but attention shifts towards more predictive features as a result of learning. However, it is still unclear whether individuals preferably adjust their hypotheses about each features' importance based upon the salience of the features or their previously learned importance. To contrast these two attentional mechanisms, participants will learn to predict in an initial learning phase which features are more or less important for making a correct judgment based on feedback. In a subsequent relearning phase, a different set of features is important for making an accurate judgment and participants need to correct their initial predictions. This relearning paradigm allows to disentangle whether judgment error, resulting from the change in the judgment task, is attributed more strongly to a previously important feature or a currently more salient one. Taken together, the present study aims to gain a deeper understanding of attentional processes in multiple-cue judgments and learning process.



Ruchira Suresh

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Perceiving sequential percentage changes

(Ruchira Suresh, Hansjörg Neth, Wolfgang Gaissmaier)

Numerical formats such as frequencies and percentages are used to communicate (sequential) changes (e.g., of stock prices, price discounts, or GDP rates). Research has shown that people make systematic errors in interpreting the overall effect of sequential percentage changes. Specifically, people appear to employ an additive strategy as opposed to a complex multiplicative strategy to estimate the aggregate result of such changes. Assuming that people use an additive strategy, we investigate the factors governing the amount of happiness people feel when evaluating sequential percentage changes. In a description-based study, 360 participants repeatedly compared between two investments: Stock X (single change) and stock Y (double change, e.g., involving a personal gain G and a loss L). We varied the order and duration of sequential percentage changes and assumed that — other things being equal — L followed by G is preferred to G followed by L and long G and short L is preferred to short G and long L . The mean overall accuracy was 40.1%, indicating that people indeed erroneously estimate sequential percentage changes. Average preferences were different across hypothesized conditions. There were no main effects of order or duration. However, people seemed to prefer the double change lesser in the short G and long L condition (5.1%) as compared to the short L and long G condition (23.6%), indicating differences in preference for Stock Y, due to an interaction between order and duration. The follow up experiments aim to explore the differences in the hypothesized conditions in detail.



Maik Bieleke

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It's about time: How Do Intuition, Strength of Preferences, Cognitive Effort, and Swiftness Conjointly Determine Decision Times?

(Maik Bieleke, David Dohmen, Peter M. Gollwitzer)

We investigate the cognitive underpinnings of decision times in standard binary-choice dictator games. Across three experiments, we varied whether material self-interest was involved, instructed participants to process information intuitively versus reflectively, and measured external indicators of intuition and preferences. People acted either as decision-finding types who always actively thought about which alternative to choose, or as decision-implementing types following pre-thought decision plans. Adopting a diffusion modeling approach, we demonstrate how intuitive inclinations, strength of preferences, cognitive effort, and swiftness jointly determine decision times. As an intriguing implication, we show that decision-finding types are faster when their intuitions and preferences are aligned. They also care similarly about decisions irrespective of their material self-interest but hesitate when their social orientations differ from the perceived social norm. Our research thus sheds nuanced light on the cognitive processes behind decision times.



Tuesday 25/09/18

16:00

R 512

Risk I and Cooperation



Hartmut Esser

University of Mannheim
Faculty of Social Sciences

Rational Choice or Framing? Rational Choice Theory and the Model of Frame Selection as Two Approaches to Explain the Patterns in the Fehr-Gächter-Experiments on Cooperation and Punishment in the Contribution to Public Goods

(Hartmut Esser)

The experiment by Fehr and Gächter from 1999 is a wide acknowledged contribution to the explanation of effects of punishment-options in the production of collective goods by Rational Choice Theory (RCT) extended by social motives. Large parts not only in sociology assume however RCT as basically unsuited, especially because the influence of “meaningful” symbols to explain the constitution of social processes would not be capable with it. The contribution investigates the scope of a version of RCT extended by motives of reciprocity with the model of frame selection (MFS), which contains in its core effects of the “definition of the situation”. Main result is that most findings can be reconstructed by means of both approaches, but also that one of the results contradicts even extended versions RCT in one of its core assumptions. In an independent empirical test the hypotheses of the MFS are clearly confirmed. The finding implies the refutation of one of the central assumptions of any kind of RCT: that processes of a “definition of the situation” would be hardly more than “cheap talk” or could easily be incorporated by further extensions of its core assumptions concerning effects of the “meaning” of symbols.



Matthias Stefan

University of Innsbruck

The Risk Elicitation Puzzle Revisited

(Felix Holzmeister, Matthias Stefan)

Given that risk is an integral component of many economic decisions, the question of how to properly elicit individual-level risk preferences is of substantial importance. Numerous methods to elicit and classify people's risk attitudes in the laboratory have evolved. However, evidence suggests that people's attitudes towards risks may change considerably when measured with different methods. These findings on the so called risk elicitation puzzle have widely been interpreted as evidence for inconsistent behavior. In our study, we conducted a within-subject study with 198 participants answering four different, widely used risk elicitation methods. For each method we additionally asked subjects a range of survey questions and elicited their numeracy and characteristics, in order to relate them to the observed behavior in the risk elicitation methods. Our main finding is that subjects are surprisingly well aware of their seemingly inconsistent choice structure. This indicates that they deliberately and knowingly make choices than can be characterized by different risk attitudes. Other factors, such as numeracy, understanding of tasks, and assignment of domains do not explain the observed (in)consistency across methods. The results of our study call into question the common interpretation of inconsistency in revealed risk preferences.



Anne-Marie Nußberger

University of Oxford

Less risk seeking and more indecision in social compared to individual decisions under risk

(Anne-Marie Nussberger, Jim A. C. Everett, Molly J. Crockett, Nadira S. Faber)

Many decisions require us to evaluate risky outcomes that vary in magnitude and probability. Sometimes these outcomes will affect only ourselves (individual decisions), but other times they will affect others (social decisions). And while magnitude and probability have been established as key parameters in individual decisions under risk, it is poorly understood how they factor into social decisions under risk. To address this gap, we presented participants with choices between a small but safe or a larger but risky outcome that varied parametrically in probability and magnitude. For one group of participants, these outcomes affected only themselves (individual decisions), while the other group made decisions about outcomes for others (social decisions). We found that individual decisions were more sensitive to variations in probability and magnitude compared to social decisions, where choices clustered around scale midpoints. Consequently, participants making social decisions were less likely to forgo a smaller but safe outcome in order to take the chances of realising a larger but probabilistic outcome compared to participants making individual decisions. Generalizing across individual differences in risk preferences and empathy, our results point towards people experiencing enhanced subjective uncertainty in social decisions under risk, signified by less risk seeking and indecision. We hope to present further work in progress where we test in how far increased subjective uncertainty or decreased motivation to make accurate choices when deciding for others explain the observed divergences between social and individual decisions under risk.



Felix Holzmeister

University of Innsbruck

What drives risk perception? A global survey with financial professionals and laymen

(Felix Holzmeister, Jürgen Huber, Michael Kirchler, Florian Lindner, Utz Weitzel, Stefan Zeisberger)

Do Financial Professionals Perceive Risk as Finance Theory Predicts? Despite a long and rich literature on decision making under risk, only little is known on how financial risks are actually perceived. Even less is known about the way financial professionals perceive risk. This paper contributes to a small but growing number of experimental studies examining behavioral aspects in financial professionals' decision making under risk. Utilizing an experimental design which allows for a systematic separation of factors driving risk perception, our study facilitates a more comprehensive understanding of how financial professionals and laymen assess risks in a financial context. To examine the question which distribution characteristics drive the perception of financial risk and the perception to invest in risky assets, we conducted a large-scale experiment with 6,936 individuals from two populations - financial professionals and laymen - in nine countries featuring the world's major financial markets. We exposed participants to nine return distributions with the same expected return and systematically varied standard deviation, skewness, and kurtosis. While standard deviation has no explanatory power for perceived risk, skewness and kurtosis show significant effects. The most striking result, however, is that risk perception and investment propensity are predominantly driven by the probability of incurring a loss. Our results are highly robust and hold for laymen as well as financial professionals. Likewise, the identified patterns driving individual's perception of risk and their willingness to invest are largely akin across all countries in our sample, even though the countries are likely to differ in cultural, societal, and economic aspects.



Désirée-Jessica Pély

Ludwig-Maximilians-Universität

What Motivates Gambling?: Experimental Evidence from the Cross-Section and Time Series on Decisions under Risk

(Désirée-Jessica Pély, Theresa Spickers)

Many people gamble and it is still an open question why. In this study we examine dynamic gambling patterns in a controlled laboratory experiment to analyze learning and time-series behavior in gambling. Subjects make repeated decisions about investing their wealth into a skewed and safe asset. We find the following. First, gambling is a function of prior losses and hence gradually decreases over time due to constant learning. Second, despite learning effects, subjects exhibit a strong “gambling for resurrection” preference by increasing their stakes into the gamble in their final decision. Third, subjects who sample and “feel” the high frequency of losses, do not increase decision-making quality. Yet, individual cognitive thinking abilities or a conscientious personality help the gambler to gain a better understanding about the gamble. Lastly, gambling behavior strongly depends on the initial endowment. Results are discussed in light with standard and non-standard economic theories.



Tuesday 25/09/18

16:00

R 513

Behavioural Theory



Gerhard Riener

DICE Heinrich Heine Universität Düsseldorf

Ambiguous Communication

(Christian Kellner, Mark LeQuement, Gerhard Riener)

Ambiguous language abounds in everyday interaction, whether in political speech, negotiations or contracts. One potential reason is that ambiguity is advantageous to the transmitting side, in that it allows it to better shape the receiver's response to information. Bose and Renou (2014) explore this idea in a mechanism design context, Kellner and Le Quement (2015) apply it to a cheap-talk setting. There, a sender embeds ambiguity into his messages and thereby beneficially shifts the response of the receiver to the (partitioned) information that he provides. Ambiguity, in the form of Knightian uncertainty, is generated by conditioning messages on the payoff-relevant state and on a payoff-irrelevant privately observed event whose distribution is unknown (for example a draw from an Ellsberg urn). For ambiguity averse receivers the use of such ambiguity results in new equilibria which Pareto-dominate equilibria only based on standard, non-ambiguous messages. More specifically, an interval of the (say unidimensional) state space is cut up into two (possibly unequally sized) subintervals, and the sender now randomizes, by conditioning on the Ellsberg draw, between using one pure signaling rule on this subinterval and the reciprocal rule on the complementary subinterval. The key is that the receiver now hedges against ambiguity in responding to messages, which can be shown to imply subjective overweighting of low probability events and thus of the event that the state is located in the less likely of the two subintervals. By inserting ambiguity into her messages, the sender thus achieves an extra degree of liberty in determining the Receiver's response to given information. The above described mechanism is simple and generic in the sense of applying to any signaling game. It is also quite intuitive: the Ellsberg draw could for example be the sender's unobserved mood or whether or not she encountered a black cat on her way to work. We run an experiment aimed at testing the above mechanism with real subjects. We want to entirely focus on the receiver's decision problem of choosing an action as a response to an ambiguous signal generating process and we therefore have subjects facing an automated signal generating process, operating according to a parameter unknown to participants. Our main goal is to test whether this unknown process indeed leads the receiver to shift its response, as predicted theoretically by models allowing for ambiguity aversion. In evaluating subject's behavior, two issues need to be addressed through control treatments. First, could randomization conditional on a non-ambiguous process also have an effect, though this is not predicted by standard expected utility theory? Second, how robust are observed effects to learning, for example in the form of help regarding belief updating provided by experimenters to subjects? Based on a first group of experimental sessions we obtain two main results. First, we find



that the mechanism indeed works as predicted, and the effects appear to be larger for subjects who can be classified as ambiguity averse. Second, perhaps more surprisingly, we find that normal randomization also has an effect even when it should not make any difference given expected utility preferences. We conjecture this could be because participants use a decision heuristic that is based on the conditional probabilities of having drawn a ball of a certain colour. When updating, participants may put too much weight of the prior probability (perhaps due to conservatism bias). If they are aware of their difficulties with updating, this may additionally transform the seemingly unambiguous urn to an ambiguous one. From evaluating a set of control task we conclude that this cannot be entirely be explained as an anchoring effect (even if this might play a role for some subjects). We find that indeed most participants are sensitive to Ellsbergian randomization in this context, and this is the case most markedly for ambiguity averse individuals. Additionally, we also find that similar randomization based on a non-ambiguous urn appears to have a similar effect.

Stephan Jagau

University of Amsterdam

Expectation-based games and psychological expected utility

(Stephan Jagau, Andrés Perea)

Psychological game theory has proven to be a potent framework for modeling belief-dependent motivations and emotional mechanisms such as surprise, anger, guilt, and intention-based reciprocity. At the same time, general psychological games significantly raise the complexity bar relative to traditional games and many crucial properties that make the latter easy to work with fail to carry over to the former. Hence it becomes an important issue in itself to figure out which psychological games are tractable enough to be useful for applications in behavioral and experimental economics. In this paper, we contribute towards this goal by identifying a large class of psychological games within which an extension of expected utility is possible. In these expectation-based games, utility depends on recursively constructed summary statistics of players' higher-order beliefs. We argue that expectation-based psychological preferences have a natural and attractive epistemological interpretation and that many applications of psychological games in the literature are expectation-based and admit the psychological expected utility representation. Moreover, we exploit the special structure to develop a generalization of traditional iterated elimination of strictly dominated choices that is shown to be almost as computationally tractable as that traditional procedure. In particular, all commonly studied psychological games turn out to be numerically solvable using standard techniques based on linear programming.



Dominik Klein

University of Bayreuth and University of Bamberg

Rationality in Interaction. Rational Choice and Asymmetric Learning

(Dominik Klein, Johannes Marx and Simon Scheller)

This contribution studies temporally extended, iterated decision making in interactive environments. It does so by discussing the results of two agent-based computer simulations. The first of these studies bargaining games in competitive environments. When presented with the opportunity of a joint economic endeavor, agents need to determine how prospective gains are distributed among the participants. A central determinant of their long term income hence is their bargaining strategy. We study long term decision making, where agents are presented with collaboration opportunities time and again and can hence gradually learn about the best bargaining strategy. We show that there is an inherent tension between short- and long term optimizing strategies. What agents learn depends on their current bargaining strategy. Tougher bargainers acquire more and better information. Moreover, differences in information pertain not only to quantity, but also the bias of information gained. In particular we show that those using EU maximizing rules in each bargaining game acquire structurally false information. This undermines max EU's base for success, leading the corresponding agents to fare suboptimally in the long run. The second simulation studies the attitudes towards authoritarian regimes. Here, we model agents that gradually inquire about the overall discontent towards the status quo and hence the prospects of upheaval. As addressing such topics is risky, agents will only address this topic in private conversation and only if they judge disagreement large enough to warrant further inquiry. This again, creates a connection between the contents of agents' beliefs and their actions. We show that this connection opens the door for further unexpected influences, for instance of the agents' mobilities, on long term beliefs in a society. In sum, we argue that many real life cases of temporally extended decision making involve structural connections between the agents' current belief and the quantity and quality of new information acquired. Impacting the agents' long term performance, such connections warrant closer attention from a theoretical and practical perspective.



Yosuke Hashidate

University of Tokyo

Dissatisficing-Averse Preferences

(Yosuke Hashidate)

This paper axiomatically characterizes a model of attribute-based inferences in which, to make a choice, a decision maker determines the optimal weight on a given attribute space. To study how the decision maker aggregates attribute-based information of options, this paper takes the framework of preferences over menus, and introduces plausible new axioms for attribute-based inferences. By requiring that the decision maker dislikes increasing the trade-off between attributes, the key axioms characterize a dissatisficing-averse utility (DAU) representation, in which the decision maker determines the optimal weight on the objective attribute space by minimizing the deviation from each (menu-dependent) attribute-best option. Moreover, to study the resulting behaviors, this paper considers a pair of (i) preferences over menus and (ii) choice correspondences, to provide a behavioral foundation for the ex-post choices of DAU. By studying choices from menus explicitly, i.e., considering a relationship between menu-preferences and choices, this paper verifies that DAU allows for the Compromise Effect, which is a well-known preference reversal.



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R 511

Anti-Social Behaviour



Arno Apffelstaedt

University of Cologne

Corrupted Votes and Rule Compliance

(Arno Apffelstaedt, Jana Freundt)

We study—using an online experiment with international subjects—how compliance with elected rules of conduct is affected by having experienced an election in which (1) subjects are asked for money to make their vote count, (2) subjects are offered money for voting differently, or (3) subjects with low household income are excluded from the ballot. We find strong and significant reductions in compliance rates across the population after such "corrupt elections", but only if elected rules ask subjects to behave prosocially. Treatment effects seem to be driven by intrinsic concerns about procedural aspects of the election mechanism and are prevalent mainly among individuals who express high value for democratic institutions and low value for bribing and (political) lobbying in the real world.



David Dohmen

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On the adverse effects of espionage

(David Dohmen, Katrin Schmelz)

On the adverse effects of espionage – How people respond to unwanted intrusions into their privacy Authors: David Dohmen & Katrin Schmelz Opportunities for spying or retrieving others' private information without consent seem nowadays abundant and have become cheaper than ever. Even though spying offers a short-term strategic advantage, this may come at a substantial future cost. In an experimental approach, we investigate the potentially adverse effects of spying (i.e., the potentially adverse responses to unwanted privacy intrusions) by running a series of two-stage interactions. In the first stage, participants engage in a matching pennies game, in which one participant is either randomly informed about the other's decision or has the technology to spy on the other. After the first stage, inspecting the other's decision – by chance or active spying - is revealed with a certain probability. In a second stage, the participants without such opportunity can then punish or reward the 'spying' side depending on whether they get to know they have been subject to random inspection or spying. By varying the incentives for espionage in the first stage we also shed light on the role of different spying intentions. We find that people indeed have a pronounced aversion to spying, as they spend substantial amounts of their own resources to punish others' unwanted intrusions into their privacy. Most importantly, our experiment reveals that this aversion accrues from both the informational advantage obtained by spying as well as the act of spying itself. The fact that the spying parties very well anticipate the punishment patterns and thus are willing to invest into hiding espionage (i.e., into reducing the probability that spying is revealed) lends further support to the notion of such a spying aversion. Besides these effects, our results also indicate that participants do take the spy's intentions into account, as they adapt their punishment accordingly.



Ivan Soraperra

CREED - University of Amsterdam

A market for integrity. An experiment on corruption in the education sector

(Ivan Soraperra)

In the education sector, corruption is a major problem in large parts of Africa, Asia and South-America. Teachers often accept bribes from students who receive diplomas without serious effort. Students face a social dilemma: from the individual's perspective, it is attractive to offer a bribe. If all students offer a bribe however, the diploma becomes less valuable. In this paper, we model the interaction between teachers and students and study two mechanisms to fight corruption in the education sector. A mechanism that is often used in practice is to enhance teachers' wages. According to the fair wage hypothesis, teachers' bribery requests should diminish when they are paid a decent salary. As an alternative mechanism, we consider the possibility of offering teachers a piece rate based on the number of students attending their classroom. In this mechanism, teachers compete for students who vote with their feet. We test the predictions of the model in a lab experiment in Colombia, a country that is known to suffer from corruption. In agreement with the model, we observe a lot of corruption in the baseline without a mechanism. Introducing fair wages to the teachers does not help diminishing their requests for corruption. Instead, introducing a piece rate substantially diminishes but does not eliminate requests for bribes. Our results show that by creating a market for integrity, the quality of education and students' welfare improve substantially.



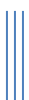
Regine Oexl

University of Innsbruck

Team Contests, Sabotage and Helping

(Regine Oexl, Glenn Dutcher, Dmitry Ryvkin, Tim Salmon)

We examine help and sabotage in teams by extending the standard model of a fixed, homogeneous team -- with respect to ability levels -- by introducing heterogeneous abilities. By means of a standard lab experiment, we investigate the impact of team composition on help and sabotage, on the individual effort, and on overall team output. We find that effort is increasing in the individual prize, while help goes down and sabotage goes up. With a positive individual prize, high ability agents are helped more, but not sabotaged more intensively than low ability agents. Finally, with a positive individual prize and heterogeneous teams, sabotage is decreasing (help increasing) in the number of high ability team mates. Overall team output is not linearly increasing in the number of high ability team members, and the impact of the individual prize on the output is negligible.



Wednesday 26/09/18

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R 512

Field Experiments



Philippe LeMay-Boucher

Heriot-Watt University

Indigenous Associations and Public Goods Provision: Experimental Evidence from grins in Mali

(Jaimie Bleck (U of Notre Dame, USA); Jacopo Bonan (Politecnico Milan, Italy); Philippe LeMay-Boucher (Heriot-Watt, UK); Bassirou Sarr (Paris School of Economics, France))

What roles can social clubs, groups or associations play in the provision of public goods? In many developing countries, the under-provision of public goods by the state is commonplace. The lack of provision leaves room for non-state actors to contribute to the welfare of local communities through redistribution, social protection and, in some cases, the delivery of basic goods such as sanitation, education, security and infrastructure. In this context, they can make modest contributions to the welfare of their communities and are sometimes important conduits for economic development initiatives at the grassroots level. This paper examines the potential provision role of informal indigenous associations - social clubs referred to as grins in urban Mali. Grins are voluntary associations which serve as conduits of social integration in urban Mali. They are also meeting points and exchange venues for various individuals. In a field experiment involving 1270 grins (over 9450 individuals), we compare the results from different thresholds in step-level public goods games conducted in three environments: within grins, with randomly selected members from different grins and with randomly selected non-members. This allows us to better understand the comparative ability of grins to contribute to public goods provision and to highlight what group characteristics generate better provisions. To date, most of the experimental literature on step-level public goods games has used minimal groups, often in lab settings. To our knowledge, we provide the first evidence of such public goods games played by group members and non-members in a developing country. Moreover, our design allows us to disentangle the group effect (playing with co-members) from the selection effect (what drives both the decision to become a member and the behaviour) on public good provision.



Jingnan (Cecilia) Chen

University of Exeter

Using Norms and Monetary Incentives to Change Behavior: A Field Experiment

(Jingnan (Cecilia) Chen, Miguel Fonseca, Shaun Grimshaw)

Using Norms and Monetary Incentives to Change Behavior: A Field Experiment Abstract
Does the effectiveness of incentives to change behavior depend on what the prevalent act is in a population? Using a two-day field experiment, we study the effect of norms and monetary incentives on promoting desirable behavior. We vary both monetary incentives (reward or fine) and descriptive social norm information (what people actually do) in a 3x3 factorial design to investigate their effects on punctuality. We find evidence of two types of subjects: intrinsically punctual and tardy despite virtually all subjects valuing punctuality. Late types respond to incentives though not to norms unless combined with incentives. Punctual types only respond to the combinations of norm information and incentives. We propose that the optimal policy is context-dependent. Whenever an undesirable behavior is prevalent, informing people of that fact while rewarding the desirable one is most effective. When a desirable behavior is common, informing people of about that fact while punishing those who engage in the unwanted behavior is optimal. Our results can be largely explained by a model incorporating innate preferences for punctuality and descriptive social norms.



Jörg Müller

Justus Liebig University Giessen

Explaining market behavior of farmers - Findings from an experimental beauty contest game with different contexts

(Jörg Müller, Julia Höhler)

The supply in a market can be interpreted as a result of expectations of market participants about the behavior of other market participants. Thus, a production decision has the character of a beauty contest problem. In addition, society's expectations may play a role in the production decision. We want to examine the decision-making behavior of farmers in three different, realistic contexts: pesticide use, wheat production, and production of animal welfare-friendly meat. With an incentive-compatible beauty contest experiment, we show if and how farmers consider the decision context as well as the behavior of other farmers in their own decisions. In a logistic regression, we examine the impact of different influencing factors on their decision-making behavior. Initial results show that farmers take into account the behavior of other farmers, but seemingly misinterpret the other participants' impact on their own outcome.



Anselm Rink

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Political Activists as Free-Riders: Evidence From a Natural Field Experiment

(A. Rink, L. Hensel, J. Hermle, C. Roth)

A key feature of collective action problems is the strategic interdependence of individuals' actions: how does the decision of citizens to engage in political activism depend on their belief about the engagement of others? We examine this question through a natural field experiment with a major European party during a recent high-stake election. In a seemingly unrelated party survey, we randomly assign canvassers to true information about the canvassing intentions of their peers. Using survey evidence and unobtrusive, geo-coded behavioral data from the party's canvassing app, we find that treated canvassers reduce their own canvassing significantly when learning that their peers engage in more canvassing than previously thought. Treatment effects are particularly large i) along the intensive margin; ii) in the final days of the campaign; iii) in competitive districts; and iv) among canvassers without prior canvassing experience. The evidence implies that effort choices of political activists exhibit strategic substitutability, not complementarity.



Wednesday 26/09/18

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R 513

Consumer Behaviour





Marcel Fischer

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Department of Economics

Who buys homes when prices fall?

(Marcel Fischer, Natalia Khorunzhina, Julie Marx)

We study the transition to and from homeownership under the recent housing market bust using micro-level data covering the entire Danish population. We document that after controlling for various sociodemographic and market characteristics, younger households reduced their likelihood to acquire homeownership during the bust more than other households. This pattern is likely to have contributed to a significant inter-generational shift in homeownership from younger to older households.



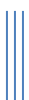
Simon Stehle

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Spillover Effects in Residential House Prices

(Marcel Fischer, Roland Füss, Simon Stehle)

We study the micro-level evolution of residential house prices using data on all repeat sales on Manhattan Island from 2004 to 2015. We document that excess returns spill over to other trades in the neighborhood | even after controlling for general house price movements on the zip-code level. This effect quickly vanishes as the distance between trades increases. In booming states of the housing market cycle, such spillover effects are weaker in the nearest neighborhood and stronger from more distant neighborhoods.



Margarita Leib

University of Amsterdam

Precision-in-Context Theory: In a Seller's Market, Setting Precise Asking Prices is Suboptimal

(Margarita Leib, Nils Köbis, Shaul Shalvi, Marieke Roskes)

Negotiations are often settled near the mid-point between a seller's asking price and buyer's counteroffer. Compared with round asking prices (\$150,000), precise asking prices (\$149,800) serve as stronger anchors, resulting in agreements closer to the asking price. Consequentially, in settings where sellers are expected to set an asking price, and buyers to counter it, a common advice for sellers is to set a precise rather than a round asking price. Here we focus on one such setting, the real estate market, and assess whether and when the advice is useful. Three pre-registered studies tested the prediction that whereas it is beneficial to set precise asking prices in a buyer's market where supply exceeds demand, in a seller's market where demand exceeds supply, and buyers usually bid above the asking price settings precise asking prices is suboptimal. In study 1 we surveyed Dutch real-estate agents working in the Netherlands and found that a substantial amount of real-estate agents advice sellers to set precise asking prices, even when they operate in a seller's market. In studies 2 and 3 we experimentally test the effect of precise vs. round asking prices on counteroffers in seller's and buyer's markets. Participants read a scenario in which they imagined being interested in buying an apartment. We varied the type of market to be a seller's vs. buyer's market and the asking price to be round (to the ten-thousands, e.g., \$150,000) vs. precise (to the hundreds, e.g., \$149,800, or to the thousands, e.g., 149,000). Results show that in a seller's market, setting precise prices is suboptimal as it leads to lower counteroffers compared to round asking prices. The estimated negative impact of setting precise, rather than round, asking prices in heated housing markets like New York, London, or Amsterdam, is estimated at thousands of Dollars/Euros per deal.



Nawid Siassi

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Low Homeownership in Germany - A Quantitative Exploration

(Leo Kaas, Georgi Kocharkov, Edgar Preugschat, Nawid Siassi)

The homeownership rate in Germany is one of the lowest among advanced economies. To better understand this fact, we analyze the role of three specific policies which discourage homeownership in Germany: an extensive social housing sector with broad eligibility criteria, high transfer taxes when buying real estate, and no tax deductions for mortgage interest payments by owner-occupiers. We build a lifecycle model with uninsurable income risk and endogenous homeownership in order to quantify the policy effects on homeownership and welfare. We find that all three policies have sizable effects on the homeownership rate. At the same time, household welfare would be reduced by moving to a policy regime with low transfer taxes and mortgage interest tax deductions, but it would improve in the absence of social housing, in particular when coupled with housing subsidies for low-income households.



Wednesday 26/09/18

14:00

R 511

Biases



Hamutal Kreiner

Ruppin Academic Center

Cognitive Mechanisms Underlying Attribute Framing Bias: The Contribution of Attention Bias and Association Valence

(Hamutal Kreiner, Eyal Gamliel)

Attribute-framing bias (AFB) refers to individuals' tendency to evaluate more favorably positively (75% success) vs. negatively (25% failure) framed objects, although these complementary descriptions are logically equivalent. In two studies we examined the relative contribution of two cognitive mechanisms proposed to AFB, namely attention and associations. Study 1 manipulated recipients' attention to the complementary aspect of the framed message either explicitly or implicitly. In both versions participants rated different scenarios following a manipulation question that required them to calculate the complementary outcomes. In Experiment 1a (N=395) explicit bias to the complementary frame was obtained by asking a question directly related to the scenario's content. In Experiment 1b (N=403) implicit bias was obtained by asking a question not related to the scenario's content before the scenario was even presented. The results indicate that shifting recipients' attention to the complementary frame moderated AFB compared to control conditions. Explicit attention-shift eliminated AFB, whereas implicit attention-shift moderately diminished AFB. Study 2 manipulated the valence of outcomes and descriptors used in the scenarios. Outcome valence was manipulated by presenting either the positive (80% passed/didn't fail) or negative (20% failed/didn't pass) outcome. Descriptor valence was manipulated by using either a positive (passed/didn't pass) or negative (failed/didn't fail) term to describe the framed attribute. Experiment 2a (N=90) used descriptors with continuous characteristics (large vs. small hotel room), whereas Experiment 2b (N=76) used dichotomous attribute descriptors (pass vs. fail an exam). Outcome framing revealed a substantial effect in both studies; a smaller descriptor effect was found that was not significant in some conditions. The innovation of the current study is in demonstrating empirically that attention plays an important role in AFB, but association valence has additional contribution. The findings will be discussed with regard to theoretical views that considered the contribution of these processes mainly as post-hoc accounts.



Kai Barron

WBZ Berlin

Everyday econometricians: Selection neglect and overoptimism when learning from others

(Kai Barron)

There are many important decision problems where learning through experimentation is costly or impossible, but where agents can learn from observing the outcomes of others who have made similar decisions before them. Often, however, information about others comprises a selected dataset, as outcomes are observed conditional on a specific choice having been made. In this paper, we design an investment game which allows us to study the influence of selection when learning from others. Using Jehiel's (2017) theoretical study as a guide, we test (i) for the presence of selection neglect in this context, (ii) its persistence when additional information is present and learning from own experience is possible, and (iii) the comparative static predictions of the model. We find strong evidence for selection neglect which survives even if subjects know the data generating process. We demonstrate that this generates overoptimism and overinvestment, suggesting a potential underlying mechanism for entrepreneurial overconfidence. As theoretically predicted, the degree of selection neglect increases when other decision makers become more rational.



Dirk Streeb

University of Konstanz
Graduate School of Decision Sciences
Department of Computer and Information Science

Visualizations as means for decision makers

(Dirk Streeb)

Decision making may build on three prototypical perspectives on the world. To begin with, formal models are based on mathematics, probability theory or logic and causal theory. Secondly, there is the data-oriented view built on measuring the world. Finally, there are, often implicit, mental models, which usually are internal to individual decision makers. Any perspective offers specific benefits and poses particular challenges when it comes to making decisions. Combining perspectives in hybrid views is commonplace, and may overcome some problems. One of the main obstacles to integrated decision making models combining different perspectives is formed by the perspectives' distinct nature, which may be partially mitigated by visualization. Mapping parts of models to visual objects provides a harmonized set of entities, that are all visual objects of similar kind. For example, data points can be mapped to points in a scatter plot. The decision boundary of a formal classification model can be superimposed on the same plot. Mental models can be incorporated by annotation of those areas of data and formal model that do not align with mental models. We contribute a detailed theoretical examination on the benefits provided by visualizations. Some of the main benefits relevant to decision making are: making data accessible and allowing fast assessment and evaluation in its context; bringing together formal models and data in order to evaluate their fitness at a more detailed level than, for example, numeric fitness measures, as well as to assess some assumptions made by formal models; making mental models of decision makers explicit, and thereby stabilizing them. Further, reflecting on models is facilitated by having externalized visual representations, which also can help in explicating to others. In this presentation we provide some theoretical context and highlight properties of visualizations especially relevant for decision making.



Matthew Blanchard

University of Sydney

Collective Decision-Making Increases Error Rates, Particularly for High-Confidence Individuals

(Matthew D. Blanchard, Simon A. Jackson, Sabina Kleitman)

The aim of this research was to investigate the changes that occur in metacognitive confidence, cognitive performance, and decision-making outcomes when people act in two-person groups (dyads) compared to when they act individually. Integrating different theories into a unified framework, three approaches were used. The first, used a maximum confidence slating algorithm to create virtual dyads using data collected. The virtual dyads indicated what should occur if groups selected the response of the more confident member. The second, used real dyads to determine the effects of collective decision-making and compared their responses with those of the virtual dyads. The third approach used real dyads to examine whether the magnitude of these changes related to the trait-confidence of individuals working together. Using a within-person design, undergraduate psychology students (N=116) completed a general-knowledge test as individuals and then together with a dyad partner. Each question was accompanied by a confidence rating and a decision to bet \$10 on the answer's correctness. We found that real dyads were significantly more confident, decisive (made more bets), and reckless (lost more bets) than when working alone. This pattern of results was consistent with those of the virtual dyads suggesting that metacognitive confidence was responsible for the increased decisiveness and recklessness experienced by groups. The results also demonstrated the important role of individual differences: higher trait-confidence individuals became even more confident and decisive when working together than lower trait-confidence individuals working together. Thus, groups made more erroneous decisions than individuals. However, individual trait-confidence may alleviate these effects and guide the formation of more effective groups. These findings have important theoretical and applied implications for collective decision-making.



Wednesday 26/09/18

14:00

R 512

Cooperation and Fairness



Tassilo Sobotta

Martin-Luther-University Halle-Wittenberg
Chair of Business Ethics and Management Accounting

Endogenous Institution Formation in a Social Dilemma Game with Negative Externalities: An Experimental Analysis

(Philipp Schreck, Tassilo Sobotta)

Endogenous Institution Formation in a Social Dilemma Game with Negative Externalities
Producing goods often creates negative externalities. For example, due to cost-savings many multinational companies in the garment industry order their products from suppliers in developing countries like Bangladesh where bad working conditions are present. Typically, different companies order their goods from the same supplier. Bad working conditions are not socially desired, but competition might encourage companies to accept these negative externalities. Improving working conditions might be expensive for a company alone, so that the company might suffer competitive disadvantages, because other companies ordering their products from the same supplier might benefit from these improvements. Moreover, empirical evidence on market interaction shows that the design of markets can promote unethical behavior compared to situations where people decide individually (e.g., Falk & Szech, 2013; Kirchler, Huber, Stefan, & Sutter, 2016). We let players in a social dilemma game with an affected but inactive third party form a punishment institution to encourage actions in favor of the third party. The pool punishment institution is implemented by unanimity voting since agents in an international setting cannot be overruled. If implemented players making an uncooperative choice are punished by the punishment institution. Results from a laboratory experiment show that players seldom form such an institution successfully, although many players vote for the implementation of the institution. In addition, we find evidence that giving players the option of endogenously implementing such an institution reduces – rather than increases – the proportion of cooperative choices. The implementation stage in which subjects vote on the institution might contain an element of implicit communication. The signals sent in this stage update beliefs about other players' preferences. If most signals suggest uncooperative behavior, the endogenous institution can have an overall negative impact on the proportion of cooperative choices. However, if the institution is implemented cooperation rates are higher than in the same game without punishment opportunity.



Sebastian Schaube

University of Bonn

(Not) Everyone can be a Winner - The Role of Payoff Interdependence for Redistribution

(Sebastian Schaube, Louis Strang)

Is life a zero-sum game, or is everyone the architect of her own fortune? Views on redistribution usually evolve around this question. Economically speaking, this translates to: Either high outcomes for a given individual directly result in low outcomes for another one, or both of them can obtain high outcomes at once. We investigate the fairness differences between these two opposing systems by causally establishing that the extent of payoff interdependence influences whether inequality is tolerated. Using laboratory experiments, we vary the degree to which individuals' actions impact other's payoffs and chances to succeed. Two subjects perform a real effort task and earn lottery tickets. In treatment T1, subjects compete for one prize, with performances determining their relative chances. In treatment T2, chances to receive a prize are still based on relative performances, but prizes themselves are drawn independently. In treatment T3, both payoffs and chances to receive a prize are entirely independent. After prizes are allocated, a spectator can redistribute earnings between the two subjects. Essentially, we find that redistribution decisions are stable as long as the better-performing subject receives the higher payoff. However, if the payoff advantage is not based on higher performance, the absence of direct payoff dependence significantly reduces the average amount redistributed. These findings highlight that fairness views are not solely based on the relation between effort and payoffs, but that the underlying payoff-generating mechanism plays a substantial role as well. This fosters not only our understanding of social preferences, but also sheds light on the ongoing political debate on social inequality, suggesting that the perceived general structure of the economy matters for the optimal redistribution within societies.





Hyoyoung Kim

Sogang University, South Korea
School of Economics

Distributional fairness and a social responsibility as a representative in an ultimatum game: An experiment

(Hyoyoung Kim, Jinkwon Lee)

In this study, we investigate whether a representative of a group reveals the same distributional fairness as his or her individual one. It is evident that there is no reason why a selfish individual changes his or her preference if the incentive structure for him or her remains the same. However, we find that an individual's becoming a representative of a group itself can change his or her revelation of distributional fairness. We find that a conforming hypothesis cannot explain the tendency and that it is important whether the information of the group members' revealed distributional fairness is available to the representative or not. These imply that an individual would have an innate preference of a social responsibility as a representative of a group when we define it by a representative's tendency to take account of the other members' preferences in the group. More importantly, we find that a representative whose revealed individual fairness is higher has a stronger tendency to incorporate the others' revealed fairness when the information on the others' preference in the group is available. On the contrary, a relatively selfish individual in comparison to the other team members does not significantly change his or her revealed fairness when he or she becomes a representative. This result implies that two social preferences of distributional fairness and a representative responsibility could have a meaningful positive correlation. The results of this study provide some implications for delegation literature where such a representative responsibility has not been explicitly considered. For example, it would now be an important research question to find whether a representative and a third party delegation would behave differently, and the extent to which the external incentive for a delegate makes him or her deviate from his or her innate social responsibility.



Sebastian Fehrler

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Negotiating Cooperation Under Uncertainty: Communication in Noisy Indefinitely Repeated Interactions

(Fabian Dvorak, Sebastian Fehrler)

Case studies of cartels and recent theory suggest that repeated communication is key for stable cooperation in environments where signals about others' actions are noisy. However, empirically the exact role of communication is not well understood. We study cooperation under different monitoring and communication structures in the lab. Under all monitoring structures - perfect, imperfect public, and imperfect private - communication boosts efficiency. However, under imperfect monitoring, where actions can only be observed with noise, cooperation is only stable when subjects can communicate before every round of the game. Beyond improving coordination, communication increases efficiency by making subjects' play more lenient and forgiving. We further find clear evidence for the exchange of private information - the central role ascribed to communication in recent theoretical contributions.



Christian Feige

Independent researcher

Other-regarding reference points: a matter of perspective

(Christian Feige)

I propose an empathy model of other-regarding preferences based on reference dependence (Köszegi & Rabin, 2006, *Quarterly Journal of Economics*). The decision maker is not only sensitive to her own loss relative to a reference point, but also to the reference points of others as well as to social comparisons. Applied to social value orientations (e.g. Liebrand & McClintock, 1988, *European Journal of Personality*), the model creates a "moral compass" reacting to situational factors like social distance, kindness of others, or mood. Under suitable monotonicity assumptions, the model restricts SVO angles between altruistic and competitive orientations. It also predicts that highly loss-averse individuals have a pro-social orientation, provided they empathize with others' ambitions to improve their relative earnings. Furthermore, the model implies that pro-social and competitive orientations require longer response times compared to an individualistic orientation, because the decision maker must process more information due to the evaluation of (additional) reference points. This is consistent with the findings by Chen & Fischbacher (2016, *Journal of the Economic Science Association*). Applied to inequality aversion (Fehr & Schmidt, 1999, *QJE*), the model predicts that guilt and envy parameters are positively correlated and context-dependent (consistent, e.g., with Loewenstein, Thompson & Bazerman, 1989, *Journal of Personality and Social Psychology*). As the model can also accommodate preferences according to Charness & Rabin (2002, *QJE*), including their experimental findings, it suggests the use of prospect theory as a theoretical foundation for other-regarding preferences as well as risk and loss preferences. Finally, the model yields a possible explanation for "hump-shaped" preferences in linear public goods games (Fischbacher, Gächter & Fehr, 2001, *Economics Letters*), which is that such individuals contribute only until they believe that the exogenous reference points ("needs") of the other group members are satisfied.



Wednesday 26/09/18

14:00

R 513

Intertemporal Choice



Thomas Post

Maastricht University

The Retirement Belief Model: Understanding the Search for Pension Information

(Wiebke Eberhardt, Elisabeth Brüggem, Thomas Post, Chantal Hoet)

Many individuals avoid information relevant for retirement planning. This behavior is worrying given that pension systems around the world shift risks and responsibilities to individuals. Individuals who avoid pension information fail to discover whether they save too little for retirement, negatively affecting their long-run financial well-being. We generate knowledge on the factors that stimulate or hinder the search for pension information. Using an interdisciplinary lens, we develop a new and unifying model - the Retirement Belief Model (RBM) - and empirically validate it with field data from the Netherlands and United Kingdom. We find that the RBM core beliefs (susceptibility, severity, benefits, barriers, and self-efficacy) as well as trust and emotions significantly explain search for pension information. Our findings help both pension providers and policy makers in improving pension communication by stressing, for example, the benefits of information acquisition, by establishing trust and designing segment specific approaches.



Marco Islam

Lund University

Cooperating Today or Tomorrow: Public Goods and Intertemporal Choice

(Marco Islam)

When people decide to contribute to the provision of public goods, does their decision depend only on the costs and benefits of the public good or does it also depend on the point of time when such costs and benefits occur? To provide an answer to this question, my study investigates intertemporal choices in a laboratory public goods experiment. Using the framework of a linear public goods game, I examine the effects of two manipulations: First, private good and public good earnings of the game are separated and are paid non-simultaneously (payment scheme manipulation). To mimic a time lag between costs and benefits of the public good, the payments of public good earnings are delayed by four days relative to the payments of private good earnings. Second, both payment parts, that is, private good and public good earnings, are postponed by five weeks (temporal distance manipulation). This is done to create a temporal distance between the point of decision-making and the consequences of that decision. As a result from these manipulations, I receive a game with need 2 by 2 between-subject design. The findings of my analysis allow for some interesting investigations: First, I find that paying both parts of the earnings non-simultaneously, that is, delaying payments of public good earnings relative to payments of private good earnings, results in significantly lower contribution levels. Second, I find that contributions for the near and the distant future are temporally inconsistent. While I do not find any evidence in line with Hyperbolic Discounting, my results support the core notion of Construal Level Theory. The social psychologic theory suggests that prosocial concerns are perceived as more dominant when making decisions for the remote future as opposed to decisions with immediate repercussions.





Jafar Baig

Associate at FinalMile Consulting

Former Student at University of Nottingham

Attribute-based Approach to Intertemporal Choices: An Evaluation

(Jafar Baig)

This study evaluates explanatory advantage of an attribute-based approach to intertemporal decision making. An experiment is designed to compare predictions of the focusing model with that of the standard discounted utility (DU) model. The results validate the explanatory power of the DU approach and fails to find any evidence of bias toward concentration as suggested by Köszegi and Szeidl (2013). In the process, the present study attempts to fill the gap in research concerning investigation of intertemporal choices with dispersed consequences.



Wednesday 26/09/18

16:00

R 511

Beliefs



Eveline Vandewaal

Maastricht University

Cognitive, Affective, and Behavioral Theory of Mind in the Power-to-Take Game

(Eveline Vandewaal, Arno Riedl)

We experimentally investigate the extent to which individuals are able to make different types of theory of mind predictions in the emotionally arousing power-to-take game. In this game, a player in the role of take authority can claim a part of the endowment of another player in the role of responder. The latter can respond to this claim by destroying own endowment. We elicit subjects' predictions about responders' expectations of the claim (cognitive theory of mind), their anger after being notified of the claim (affective theory of mind), and their destruction behavior in response to the claim (behavioral theory of mind). We find that the ability to make cognitive theory of mind predictions is positively related to the ability to make behavioral theory of mind predictions, and that both of these abilities predict take authorities' earnings in the power-to-take game.



Irenaeus Wolff

University of Konstanz, Thurgau Institute of Economics
Department of Economics

Stochastic Beliefs and Decisions Under Uncertainty

(Irenaeus Wolff, Dominik Bauer)

People often cannot assign a clear probability to an event but face uncertainty about their subjective probabilities. We model belief uncertainty by assuming that agents' beliefs are characterized by a distribution over subjective-probability distributions that agents cannot access directly. Our model produces stochastic choice because each decision-relevant belief is but one realization out of the distribution over all possible beliefs. Our model predicts that when comparing unknown situations to routine choices, people will make more ex-ante suboptimal choices in unknown situations. The model also offers an explanation for experiment participants not playing a best-response to their stated beliefs: participants are uncertain what belief to report or base their decision on, and hence, act on momentaneous 'belief realizations'. In an experiment, we exogenously manipulate participants' belief uncertainty. We find support for both predictions. Low belief uncertainty leads to fewer errors and thus, higher earnings, even when controlling for the accuracy of participants' beliefs. Second, under low belief uncertainty, observed best response rates are high and increasing in the amount of information we provide. Conversely, high belief uncertainty leads to lower consistency.



Wednesday 26/09/18

16:00

R 512

Processes of Social Preferences



Baiba Renerte

**University of Konstanz
Graduate School of Decision Sciences
Department of Economics**

Intentions in strategic interactions: An (interactive) eye-tracking study

(Urs Fischbacher, Jan Hausfeld, Baiba Renerte)

We investigate how gaze patterns reveal intentions to others. In strategic interactions, an intention can mean a planned action but also the motive underlying an action. Even if the same outcome results, the intention behind the action can be different. We investigate whether people can use the gaze pattern to infer the intention even if the action itself is not diagnostic. We show that people are indeed capable of such type recognition and it has a material impact on future interaction. We also show that people are capable to use their gaze strategically. To our knowledge, we are the first ones to use eye-tracking technology for studying social preferences in strategic games interactively, that is, by displaying the (real-time) eye-tracking process of one subject to another subject.



Chiara Aina

University of Zurich

Frustration and Anger in the Ultimatum Game: An Experiment

(Chiara Aina, Pierpaolo Battigalli, Astrid Gamba)

In social dilemmas, choices may depend on belief-dependent motivations, which enhance the credibility of promises or threats at odds with personal gain maximization. We address this issue theoretically and experimentally in the context of the Ultimatum Minigame, assuming that the choice of accepting or rejecting an unfair proposal is affected by a combination of frustration, due to unfulfilled expectations, and inequity aversion. We increase the responder's payoff from the default allocation (the proposer's outside option) with the purpose of increasing the responder's frustration due to the unfair proposal, and thus his willingness to reject it. In addition, we manipulate the method of play, with the purpose of switching on (direct response method) and off (strategy method) the responder's experience of anger. We found overwhelming evidence in support of belief-dependent preferences: in the direct method, the higher the responders' initial expectations of the default allocation, the more likely they are to reject the unfair proposal. In line with our predictions, the direct method increases the conditional frequency of rejections. Instead, against our predictions, the payoff increase does not have such effect. Interestingly, the distribution of actions of male subjects is in line with the theory, but not that of females.



Rima-Maria Rahal

Goethe University Frankfurt

Eyes on Morals: Investigating the Cognitive Processes Underlying Moral Decision Making via Eye tracking

(Rima-Maria Rahal, Leonard Hoefft, Susann Fiedler)

How are moral decisions such as sacrificing the life of one to rescue the lives of many others formed? The Dual Process Theory (Greene et al., 2001) proposes that decisions driven by utilitarian vs. deontological moral principles are preferentially supported by deliberate vs. intuitive processes. A competing account proposes that choices would be least effortful when the choice options are readily discriminable depending on individual preferences (Kim et. al, 2018). Investigating the implications of both theoretical propositions, we report an eye tracking study, showing decision makers' attentional foci, their decision effort and conflictedness during the decision process. To study deontological vs. utilitarian decision making, we used incentivized third-party helping dilemmas, where participants decided whether to leave donations for cataract operations with a predetermined child (deontological option) or to reallocate the donation to operate a group of other children (utilitarian option). Moral preferences determined via choices in classical hypothetical trolley-type dilemmas predicted choices in the third-party helping dilemmas. Surprisingly, deontologists fixated more on operation costs than utilitarians, and less on information about the original allocation of the operation. Decision effort measured via reaction times, number of fixations and number of inspected information was lowest for participants with strong utilitarian moral preferences, while more deontological decision makers made their decisions more effortfully. Gaze patterns over the course of the decision process indicated that deontological decisions were accompanied by higher conflictedness than utilitarian choices, and that preference-consistent choices were made with less decision conflict. Implications for the theories of moral judgment are discussed.



Wednesday 26/09/18

16:00

R 513

Social Media



Karsten Donnay

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Digital Networked Bureaucratic Dissent in the U.S. Federal Government

(Philipp Kling, Karsten Donnay, Ines Mergel, Andreas Jungherr)

During the first days of the Trump presidency, the National Park Service, a federal agency in the Department of the Interior, contradicted the Presidents claim that the crowd at his inauguration was larger than President Obamas crowd. In the aftermath of this incident, similar statements through official accounts were effectively suppressed by the president and his communications team. In response to what was widely interpreted as a gag order, many alternative departmental Twitter accounts were created that tweeted information the agencies were otherwise no longer allowed to publish, most notably criticism of the Presidents executive orders and false statements on Twitter and in front of the White House press corps. In this, Twitter opened the opportunity for a new form of bureaucratic dissent. The microblogging services afforded members of the bureaucracy direct access to an audience of journalists and publics engaged in protesting the new administration without having to go through a long-winded process of inner departmental hierarchies, official briefings of journalists, or even anonymous whistleblowing. In this paper we study the dynamics of this networked bureaucratic dissent in the U.S. federal government throughout the first three months of the Trump presidency using a complete sample of all messages posted by alternative departmental Twitter accounts as well as all associated mentions and retweets. Our analyses combine in-depth qualitative analysis of individual tweets with systematic quantitative analysis of the entire Twitter conversation. We show that the Twitter discourse is indeed consistent with the dynamics of a bureaucratic dissent movement that reached a wide and diverse audience. Yet, our analyses also suggest how the discourse evolved over time largely reflects Twitter-specific dynamics.



Sara Colella

University of Konstanz
Graduate School of Decision Sciences
Department of Computer and Information Science

Information sharing on Twitter

(Sara Colella)

The number of people that get informed mainly by the updates that get shared by their contacts on social media is increasing. In addition, social media platforms are developing into an important secondary distribution channel even for those that use news media as the main information source. One of the social media most used in research is Twitter, mainly due to its wide use and the possibility to perform free data collection. Moreover it has emerged as a new medium in spotlight through recent happenings mainly due to its particular structure: the relationship of following and being followed requires no reciprocation. For these reasons we chose Twitter to investigate how individual topic characteristics may influence its diffusion on the social network. Topic diffusion over time can be measured by its time series describing the amount of activity on the topic, tweets and retweets, for unit of time. We focused just on one kind of events to be able to compare the shape of their different time series as an expression of existence of attention on the topic. In particular we investigated the announcements about sudden celebrity deaths because of their high human interest and their high likelihood to be shared. Here we show the preliminary results of how the attention dynamic of a certain event on Twitter (e.g. how long the audience pay attention to the topic) depends on some of its characteristics (e.g. proximity, controversy and peculiarity). This kind of analysis is quite common in journalism, but not in social networks in which, according to the literature, attention dynamics is considered mainly influenced by the structure of the network of the users, homophily and social reinforcements mechanisms. We do not neglect the importance of these factors; our work enrich the event popularity analysis of a new prospective focused on the topic itself. Finally our methodology can be applied to investigate the topic characteristics that affect the spread of any class of events and to also predict their future popularity.



Philipp Kling

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Combining surveys and content analysis to understand echo chamber dynamics on social media

(Philipp Kling)

Editors and journalists take on the role of curators and gate-keepers of information flows towards an audience. With the emergence of the Internet and social media, it became easier for consumers of news to circumvent the influence of these traditional gate-keepers and access information with less regulation. As a result many warn of an increasing tendency of people to self-select into biased information environments, also known as “echo chambers”. Empirical findings provide mixed results and the overall tendency of the Internet as a liberating or as a polarizing instrument is subject to intense scientific discussion. My work contributes to this debate by focusing on characteristics of individuals that might influence media consumption. In particular, the goal of this research project is to rebuild the individual news-feed Twitter users were most likely exposed to and then compare this information with data retrieved through an online survey. By asking questions regarding the individual’s demographics as well as the consciousness of their level of biased exposure to content, the results of this project will explore the mechanisms underlying the phenomenon called “echo chambers”.



Thursday 27/09/18

09:15

R 511

Econometrics



Roxana Halbleib

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

How Informative is High-Frequency Data for Tail Risk Estimation and Forecasting? An Intrinsic Time Perspective

(Roxana Halbleib, Timo Dimitriadis)

This paper proposes a novel approach to compute daily Value at Risk (VaR) and Expected Shortfall (ES) directly from high-frequency data. It assumes that financial logarithm prices are unifractal processes in an alternative time dimension, which we denote the intrinsic time. This assumption implies that, under certain conditions, the price processes are multifractal, which is a more general and more realistic assumption than the existent (fractional) Brownian Motion ones, as it accommodates typical features of financial returns, such as volatility persistence and fat-tailedness. The intrinsic time is a stochastic transformation of the clock time that captures the real time on financial markets in accordance with their trading intensity. The unifractality assumption allows to compute daily estimates of VaR and ES by simply scaling up their intraday counterparts computed from data sampled in intrinsic time. Consequently, our method is very simple to implement and simultaneously accounts for the rich information content of high-frequency data. In the empirical exercise we provide a comprehensive discussion of the statistical and dynamic properties of the resulting scaled-up quantile estimates. Moreover, we show that our approach outperforms the location-scale models or related fractal approaches in accurately estimating and forecasting VaR and ES.



Alexander Schmidt

Universität Hohenheim

Multiple Structural Breaks in Cointegrating Regressions: A Model Selection Approach

(Karsten Schweikert, Alexander Schmidt)

In this paper, we propose a new comprehensive treatment of structural change in cointegrating regressions. First, we consider a setting with fixed breakpoint candidates and show that a modified adaptive lasso estimator can consistently estimate structural breaks in the intercept and slope coefficient of a cointegrating regression. Second, we extend our approach to a diverging amount of breakpoint candidates and provide simulation evidence that structural breaks are estimated consistently. Finally, we use the adaptive lasso estimation to design new tests for cointegration in the presence of multiple structural breaks, derive the asymptotic distribution of our test statistics and show that the proposed tests have power against the null of no cointegration.



Maurizio Daniele

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Sparse Approximate Factor Estimation for High-Dimensional Covariance Matrices

(Maurizio Daniele, Winfried Pohlmeier, Aygul Zagidullina)

We propose a novel estimation approach for the covariance matrix based on the l_1 -regularized approximate factor model. Our sparse approximate factor (SAF) covariance estimator allows for the existence of weak factors and hence relaxes the pervasiveness assumption generally adopted for the standard approximate factor model. We prove consistency of the covariance matrix estimator under the Frobenius norm as well as the consistency of the factor loadings and the factors. Our Monte Carlo simulations reveal that the SAF covariance estimator has superior properties in finite samples for low and high dimensions and different designs of the covariance matrix. Moreover, in an out-of-sample portfolio forecasting application the estimator uniformly outperforms alternative portfolio strategies based on alternative covariance estimation approaches and modeling strategies including the $1/N$ -strategy.



Lyudmila Grigoryeva

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Option pricing and hedging with one-step Kalman filtered factors in non-affine stochastic volatility model

(Alexandru Badescu, Lyudmila Grigoryeva, Juan-Pablo Ortega)

New pricing and hedging strategies are proposed for two non-affine {auto-regressive conditionally homo- and heteroscedastic stochastic factor models} with non-predictable drift which allows to account for leverage effects. We consider a factor dependent exponential linear pricing kernel with stochastic risk aversion parameters and implement both pricing and hedging for these models estimated via the one-step unscented Kalman filter. This technique proves to outperform standard GARCH and Heston-Nandi based strategies in terms of a variety of considered criteria in an empirical exercise using historical returns and options data.



Thursday 27/09/18

09:15

R 512

Personnel Economics I



Yasmin Schwegler

University of Lausanne

Towards an ecological model of how employees decide whether to deviate from a working procedure

(Yasmin Schwegler, Julian Marewski, Ulrich Hoffrage)

How do employees manage trade-offs between strict adherence to a working procedure or routine, and deviance from it? Such trade-offs are typically faced by white-collar workers in medium-sized and large companies, where work procedures are established but jobs also require some independent judgment, which can lead to recognizing more appropriate solutions and thus deviating from the procedure. Since it is not evident ex-ante if the adherence to or deviance from a procedure leads to a better outcome, deviation decisions are made under uncertainty. Well-established descriptive models of decision making under uncertainty are heuristics. As particularly simple decision strategies they exploit the structure of decision environments, and can thus aid people making smart decisions. The interplay of decisional processes and environments has been at the focus of much research outside the area of professional decision making (e.g. Marewski et al., 2010). Past work on professional decision making, in particular workplace deviance, has instead mostly focused on people's personality traits (e.g. De Clercq et al., 2014; Holtz & Harold, 2013), with notable exceptions (e.g. Lin et al., 2016). We aim to develop a model of how environmental properties might, in interplay with heuristic decision processes, lead employees to stick to a procedure or to deviate from it. While recent experiments on these trade-offs focused, for instance, on recruitment decisions (Patil et al., 2017), we start out by turning to employees in the procurement of a multinational company, who have to choose between suppliers while adhering to company procedures. In a qualitative pilot study, we examine the properties of their decision environments and the nature of situations in which deviations from procedures occurred.



Adrian Chadi

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Minimum Wages and Gift-Exchange – Experimental Evidence on Worker Behavior When the Employer Raises the Pay

(Adrian Chadi, Mario Mechtel, Vanessa Mertins)

Economists differ in their views on how minimum wage legislation affects labor market outcomes. A key factor often ignored in this debate is the behavioral response of a worker to a wage hike induced by such policy. Arguably, workers may reciprocate higher labor costs for the employer by putting in more efforts, which could explain why minimum wages are not necessarily detrimental for firms. According to behavioral economics, the prerequisite for such reciprocal behavior is the kind message underlying a wage hike. Do workers react positively to a wage increase that does not exclusively follow the intent of the employer? This is the first experimental investigation into the behavioral effects of minimum wages at the individual level and outside the laboratory. A set of coincidental events surrounding a research project at a university allow us to credibly manipulate information on reasons for a substantial increase in hourly pay. Data on workers' effort levels, employer perceptions and reservation wages support the idea of robust gift-exchange after workers learn about the involuntary nature of the wage hike. Our findings suggest that exogenous interventions into wage policies can lead to a solidarity effect, fostering reciprocal behavior towards the employer, instead of reducing it.



Ofer Azar

Ben-Gurion University of the Negev

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

(Ofer Azar)

This paper examines whether in the context of product differentiation people exhibit "relative thinking," being affected by relative price differences even when only absolute price differences are relevant. Because people compare prices of alternative goods and services all the time, if they do it in a way that deviates from the traditional assumptions in economics, this has important implications for economics, consumer behavior, decision making, advertising, marketing, pricing, etc. Subjects were asked to indicate for 11 different pairs of goods, given the price of one good, what is the maximal price of the other good for which they prefer the latter. These decisions were incentivized. Subjects received different prices for the same good. If subjects exhibit relative thinking, then those who receive a higher good's price should be willing to pay more for the constant quality difference between the goods. The experiment also involved WTP versus WTA treatments. In the willingness to pay (WTP) treatment, the low-quality good price was provided and the subject indicated the high-quality good price that makes him indifferent between the two. In the willingness to accept (WTA) treatment, the high-quality good price was provided and the subject indicated the low-quality good price that makes him indifferent. The results were surprising: In the WTP version, no relative thinking was detected, but in the WTA version relative thinking was documented in all cases. The suggested explanation for the results is that people are affected by two biases: 1. Relative thinking. People are willing to pay more for a constant improvement in quality when the product's price is higher because they consider the price difference also as a percentage of the price. This is stronger when the goods are more similar. 2. A prominence bias. Subjects focus on the value of the product they are pricing although what matters is the difference in value between the two goods.



Nickolas Gagnon

Maastricht University

How Unfair Chances and Gender Discrimination Affect Labor Supply

(Nickolas Gagnon, Kristof Bosmans, Arno Riedl)

We investigate the causal effect of the procedural fairness behind wage inequality on individual labor supply decisions. We conduct a large-scale experiment on an online platform, in which workers individually engage in the same task and are individually paid a piece-rate wage. A worker's labor supply decision only affects her- or himself, ruling out the possibility of reciprocity or punishment. The decisions of other workers do not impact a worker's earnings and are not revealed. Working less reduces one's exposure to the work environment at the expense of one's earnings. We employ two payment schemes with equal wages, and three payment schemes with equivalent unequal wages generated through different procedures: (1) equal chances, (2) unequal chances, and (3) gender discrimination. Workers receive information about the procedure that will lead to their own wage and the wage of another worker. Thereafter, they learn their wage, the wage of the other worker, and decide how much they work. We find that negative gender discrimination decreases workers' labor supply substantially (25-30%), which directly translates into lower earnings. This effect is distinct from other types of inequality, which themselves generally do not significantly decrease labor supply. Overall, our research provides a novel estimate of the supply-side consequences of discrimination.



Thursday 27/09/18

09:15

R 513

Peer Effects



Max Reinwald

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

A Dynamic Take on Demographic Dissimilarity

(Max Reinwald, Florian Kunze)

In an era characterized by societal and economic trends, like demographic change and increasing female workforce participation, employees are more likely than ever to work in teams with demographically different individuals. This study offers a new theoretical and empirical perspective on the dynamic effect of demographic dissimilarity on absenteeism behavior of team members. Integrating social identity and social contact theory, we propose that individual absenteeism behavior depends on the relational demographic position of the team member. Drawing on a sample of 2,816 individual newcomers in 866 work teams tracked over seven years we use growth curve modeling in a multilevel framework to test our hypotheses. In contrast to prior, more static research, which assumed time-stable effects of demographic dissimilarity, we show that gender and age dissimilarity effects are not constant over time. Rather, we find that dissimilar individuals increase their absence more strongly over the years. Particularly, dissimilar women and older employees show a steeper increase in their absenteeism levels over time and, accordingly, higher absolute absenteeism at later stages of team membership compared with that of their less dissimilar counterparts. Implications for diversity theory as well as for organizational diversity management are discussed.



Jarid Zimmermann

University of Cologne

Social context engineering in children

(Robert Böhm, Bettina Rockenbach, Jarid Zimmermann)

Adults often manage their social context in strategic and payoff-maximizing ways. For example, adults often successfully protect their work context from others with superior skills in their domain of expertise. Here we investigate how children manage their social context, that is, how they choose their social comparisons. We run a large field experiment with close to 200 children at kindergartens and elementary schools in Cologne, Germany. In our experimental setting, children can choose their social context strategically to achieve higher payoffs. Specifically, they first make drawings from photographs. Then they choose (in private) between low-quality and high-quality comparison drawings which function as their social context. Our results show that especially young children (from 4 to 5 years of age) exhibit a strong desire to choose high-quality comparison drawings as their social context. Young children learn to choose high-quality comparison drawings, when this yields higher payoffs (gold tokens), but they find it difficult to choose low-quality comparison drawings, when this yields higher payoffs. By contrast, older children (from 6 years to 7 years of age) manage to choose low-quality comparison drawings more reliably, when this yields higher payoffs. We present evidence that young children's difficulties in choosing low-quality comparison drawings stem from their desire to enhance their self-image by association with high-quality comparison drawings. This suggests that tendencies for downward social comparisons, i.e., comparisons to worse others, are not necessarily hard-wired in young children. Instead, we document that the ability to strategically choose downward social comparisons develops only when children typically first enter school, that is, at a time when social comparisons become more frequent and more important.



Felix Gaisbauer

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Graduate School of Decision Sciences
Department of Psychology

Using social information in dealing with dilemmas in disguise

(Felix Gaisbauer, Wolfgang Gaissmaier, Hansjörg Neth)

Should I have another drink now and risk a worse hangover tomorrow? Do I order a fish dish I crave although over-consumption is endangering this fish species? A decision situation may have conflicting rewards along a temporal (alcohol example) or a social dimension (over-fishing example) – either way, individuals frequently forego the best global option in the presence of a locally more attractive, but globally inferior option — a tendency known as melioration. When the temporal and social trade-offs in decision situations are not disclosed, but rather have to be discovered by experience, we describe such learning problems as dilemmas in disguise. We experimentally vary the nature of the dilemma in disguise (temporal vs. social) and the informational uncertainty of the rewards (deterministic vs. probabilistic) between participants to examine how these different sources of uncertainty change participants' strategy learning. Our main finding is that humans can navigate undisclosed temporal dilemmas in a social context but fail to exploit social information in dynamic social environments due to ineffective exploration. One important implication of our results is that seemingly selfish behavior in social dilemmas with an undisclosed dilemma structure could at least be partly explained by ignorance, rather than strategic defection.



Lukas Thürmer

University of Pittsburgh, University of Konstanz, University of Göttingen
Graduate School of Decision Sciences
Department of Psychology

Reactions to Deviant Performance in Teams

(J. Lukas Thürmer, John M. Levine)

Teams can only reach their goals when their members perform well. This is why teams may react harshly to low performers. But also high performers may be evaluated as „rate busters“ and face harsh reactions. How do teams decide whether to meet deviant performance with a harsh or mild response? Past research has largely neglected this attributional process in teams. We build on classic attribution theory and small group research, and argue that teams evaluate the effort and ability of the deviant. They then use this information to assess whether that person wants to help the team or not (perceived prosocial intent). We thus suggest that the attributional process in teams seeks to answer the question: Does the performance deviant want to help the team? Indeed, four experiments (total N = 811) demonstrate more negative team reactions to a low performer lacking effort than a low performer lacking ability, and this effort/ability effect was fully mediated by the low performer’s perceived prosocial intent. Two experiments (total N = 400) further confirmed that team members reacted more positively towards a highly motivated high-performer than a highly talented high-performer. This effect was again fully mediated by the low performer’s perceived prosocial intent. We discuss the role of attributional processes in team performance and decision making.



Thursday 27/09/18

14:00

R 511

Conflict



Rebecca Morton

New York University NYC and Abu Dhabi

Public Protests and Policy Making

(Marco Battaglini, Rebecca Morton, Eleonora Patacchini)

In this paper, we develop a model to test the informational theory of public protests and petitions. According to this theory, public protests and petitions allow citizens to aggregate privately dispersed information and signal it to the policy maker. Our model predicts that two factors determine information aggregation: the precision of the individual signals, and the conflict with the policy maker. For any conflict of interest, if the precision of the individual signal is sufficiently low, then information cannot be aggregated no matter how large the number of informed citizens. If the precision is sufficiently high, then full information aggregation is possible as the number of citizens grows to infinity. We use laboratory and Mturk experiments to test these predictions and to highlight behavioral features of the players that may affect these results.



Mario Krauser

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

In the Eye of the Storm: Rebel Taxation of Artisanal Mines and Violent Strategies

(Mario Krauser)

The resource curse literature overwhelmingly argues that natural resources can provide rebel groups with the motive and the means to incite violent conflict. Surprisingly, the dampening effect that violence has on miners' appeals to produce natural resources is largely neglected. Learning that such economic activity will attract rebel groups and concomitantly violence, these may be disinclined to work in mines. Nevertheless, violence may also help rebel groups to maintain an environment that incentivizes artisanal miners to cooperate. The micro-level foundations of the well-established resource-conflict nexus are thus underspecified. Combining Olson's (1993) framework of stationary and roving bandits with Kalyvas' (2006) logic of violence in civil war, I argue that rebels with access to natural resource rents have incentives to both increase and decrease violence. The central conjecture of this paper is that rebel groups pursue both goals by safeguarding the immediate surrounding of taxed mines against violence, but actively exposing the more remote vicinity to it. The hypotheses are tested with an analysis of a new dataset on rebel taxation at over 3'000 mines in the Eastern part of the Democratic Republic of the Congo between 2009 and 2015. In line with the hypothesis the results show that the immediate area around taxed mines is less likely to see violence, while the periphery has a higher chance to experience it.



Yiyi Chen

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Credibility Lost? Reappointing Failed Mediators in Armed Disputes

(Yiyi Chen, Frederick. R Chen, Fan Tang, Gerald Schneider)

In the study of mediation, a number of inter- and intrastate disputes experienced multiple mediation attempts from the same mediator. Existing research finds that the same mediator with multiple mediation attempts over the course of a dispute is most likely to bring about a peaceful outcome which stands in contrast to single mediation attempt or multiple mediation attempts by different mediators. However, less understood is why do disputants select the same mediator multiple times even if the mediator failed in its last mediation attempt. This research gap reflects the incompleteness of the mediation theory. To deal with this gap, the paper applies the learning mechanism and the ripeness theory of mediation to explain the disputants' selection of a failed mediator from both the demand-side and the supply-side simultaneously. According to these two mechanisms, we argue that the strategy applied by the mediator in the previous mediation process, the experience of mediation of the mediator in other disputes, and the gravity of dispute in the international system are the main motives for disputants to select the failed mediator into the current mediation process. To test the hypotheses raised above, the paper utilizes the International Conflict Management (ICM) 1945-2003 dataset and the Issue Correlates of War (ICOW) 1816-2001 dataset within the empirical analysis.

Kai Merkel

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Cooperation, Networks and Nonviolent Diffusion. How nonviolent activism was organized during the Nepalese civil war

(Kai Merkel)

What makes organizations able to articulate nonviolent activism despite violent oppression? How is it possible that organizations are mobilizing masses in peaceful protests during violent civil wars? A possible answer is inter-organizational nonviolent diffusion, the active distribution of training in nonviolent tactics and reciprocal support between organizations. Organizations can give others a helping hand to spread the idea of nonviolent activism to fledgling activist groups. Qualitative interviews of representatives of nongovernmental organizations active in nonviolent action during the Nepalese civil war, showed insight into a network of organizations that were supported by national and international entities. The interviews provide evidence for the involvement of international organizations in the promotion of nonviolence during the civil war. Either to inform and train activist on the ground with personal or financial resources, directly fund or help to organize a variety of nonviolent activities and even protect and hide activists if they were persecuted by a conflict party. As a result, some of the trained activist groups in the long run followed this example and even started to train other fledgling activists to further spread the idea of nonviolent dissent until today.



Roman Krtsch

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

The Tactical Use of Civil Resistance by Rebel Groups. Evidence from India's Maoist Insurgency

(Roman Krtsch)

Under which conditions do rebel groups resort to methods of civil resistance? The study of rebel behavior during conflicts typically places a strong emphasis on the groups' use of armed violence as their preferred means of contention. However, evidence from intrastate wars around the world suggests that armed groups indeed employ tactics of civil resistance as well. Particularly communist guerrillas have traditionally complemented their violent struggle against the state with specific contentious performances that range in-between violence and nonviolence and include the active participation of the civilian population: general strikes. Using the example of India's Maoist insurgents, this paper aims to shed light on the conditions determining rebel groups' shifts to general strikes. My argument rests on the assumption that tactical shifts represent a response to the local intensity of state repression. I expect rebels to retreat to adjacent areas and increasingly rely on general strikes in the aftermath of encounters with the government that resulted in own casualties. In situations when the state's demonstrated resolve to use repressive force in one area severely limits the rebels' local capacity to act, the enforcement of general strikes in neighboring areas can provide an efficient means to stretch the government's resources. The particular traits of general strikes as performances that easily escalate into violence and effectively undermine local state capacity can make the use of this tactic appealing to rebels after they suffer losses from violent clashes with the government. The argument is tested for districts in Eastern India using spatially and temporally disaggregated data on contentious action during the Maoist conflict, which was compiled in the course of the research project Raise Your Voices! The Occurrence of Nonviolent Campaigns in Civil Wars.



Thursday 27/09/18

14:00

R 512

Honesty



Sascha Behnk

University of Zurich

The ripple effects of deceptive reporting

(Sascha Behnk, Adam E. Greenberg, Alexander F. Wagner)

Deceptive information transmission is a pervasive phenomenon in organizations and markets. Although institutions and firms devote a great deal of resources to promoting honesty, little is known about how defectors can affect these environments. To shed further light on this issue, we induce different expectations about others' dishonesty. We find that when truthful behavior is expected, dishonest acts have ripple effects on unrelated, anonymous parties. These results suggest that ethical codes can have unintended consequences in the cases in which individuals choose to be dishonest. In addition, agents who care strongly about truthfulness resist the urge to pay deception forward. We present evidence that agents who pay forward deceptive communication are acting on their emotions. Interestingly, life experience is a crucial moderator of reactions to receiving a lie: ripple effects of deception are only observable among relatively young individuals.



Jan Hausfeld

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

In Vino Veritas

(Jan Hausfeld and Konstantin Hesler)

We study the effect of social drinking on honesty in a lab-in-the-field experiment. Bar-goers are recruited before they enter a bar and—depending on treatment—either participate in the experiment right away (sober condition) or when they come back out from the bar (intoxicated condition). In both conditions, participants' degree of intoxication is measured with a breathalyzer before and after the bar visit. This design allows us to disentangle the effect of acute alcohol intoxication from that of general drinking habits by using the randomly imposed treatment condition as an instrumental variable for the degree of intoxication during the experiment. At the same time, the two breathalyzer measurements are used as a proxy for general drinking habits. We find that people become more honest, the more they had to drink, while at the same time people who drink more in general, are also less honest in general.



Heike Hennig-Schmidt

Bonn University

Dishonesty in healthcare practice: A behavioral experiment on upcoding in neonatology

(Heike Hennig-Schmidt, Hendrik Jürges, Daniel Wiesen)

Dishonesty in healthcare practice: A behavioral experiment on upcoding in neonatology
We introduce a controlled behavioral experiment framed in a neonatal care context to analyze the effect of introducing a random audit and fines on individuals' honesty in a simple reporting task. Our behavioral data provide new evidence on dishonesty and upcoding in health care. We find that introducing audits combined with a fine significantly reduces dishonesty on aggregate. The effect is driven by a significant reduction in upcoding. At the same time, dishonest choices that cannot be detected as fraudulent by an audit (partial dishonesty) increase. We also find evidence that individual characteristics such as gender, medical background, and integrity are related to dishonest behavior.



Nils Köbis

University of Amsterdam / CREED

Intuitive (Dis)honesty - A meta-analysis

(Nils C. Köbis, Bruno Verschuere, Yoella Bereby-Meyer, David Rand, Shaul Shalvi)

Is self-serving lying intuitive? Or does honesty come naturally? Dual-process models postulate that human decision-making results from the interplay of two systems: a first process that is intuitive, fast and inflexible and a second process that is deliberate, slow and flexible (Kahneman, 2011). This dual-process perspective has been applied to the study of dishonesty and cheating – defined as the “behavior accruing benefits to the self that violates accepted standards or rules” (Shu, Gino, & Bazerman, 2011, p. 330). Many experiments have manipulated reliance on intuition versus deliberation in honesty tasks, with mixed results. We present two meta-analyses (no evidence for p-hacking, some evidence for small study effects) indicating that promoting intuition increases the proportion of cheaters ($k = 66$, $n = 11,861$) and the magnitude of dishonesty ($k = 44$, $n = 6,713$). Overall, we find support for intuitive self-serving dishonesty. Both the percentage as well as the magnitude of cheating increases when an intuitive mind-set is experimentally induced. We also shed light on cross-study heterogeneity by leveraging the social heuristic hypothesis, which posits that intuition typically favors prosocial behaviors. Thus, in situations where lying harms others, the intuitive appeal of pro-sociality may cancel out the intuitive appeal of dishonesty. Indeed, we find that intuitive dishonesty only emerges in experiments where no other identifiable participant gets hurt. The social consequences of one’s lies seem like a promising key to the riddle of intuition’s role in honesty.



Katharina Gangl

University of Goettingen

Coercive and legitimate authority impact tax honesty: Evidence from behavioral and ERP experiments

(Katharina Gangl, Daniela M. Pfabigan, Claus Lamm, Erich Kirchler, Eva Hofmann)

Cooperation in social systems such as tax honesty is of central importance in our modern societies. However, we know little about cognitive and neural processes driving decisions to evade or pay taxes. This study focuses on the impact of perceived tax authority and examines the mental chronometry mirrored in ERP data allowing a deeper understanding about why humans cooperate in tax systems. We experimentally manipulated coercive and legitimate authority and studied its impact on cooperation and underlying cognitive (experiment 1, 2) and neuronal (experiment 2) processes. Experiment 1 showed that in a condition of coercive authority, tax payments are lower, decisions are faster and participants report more rational reasoning and enforced compliance, however, less voluntary cooperation than in a condition of legitimate authority. Experiment 2 confirmed most results, but did not find a difference in payments or self-reported rational reasoning. Moreover, legitimate authority led to heightened cognitive control (expressed by increased MFN amplitudes) and disrupted attention processing (expressed by decreased P300 amplitudes) compared to coercive authority. To conclude, the neuronal data surprisingly revealed that legitimate authority may lead to higher decision conflicts and thus to higher cognitive demands in tax decisions than coercive authority.



Thursday 27/09/18

14:00

R 513

Cognitive Models II



Yefim Roth

Haifa University

Checking Decisions in Multi-Offer Alternatives

(Yefim Roth)

Great many consumers' web navigation decisions can be characterized as simple search for information or information comparisons, a behavior that we refer to as "checking". In five studies, we investigate the impact of comparison options variety and checking attractiveness on the decision to check. Our findings show a non-linear relationship. While at first increasing the checking attractiveness leads to higher checking rates, a further increase in the number of available alternatives slightly reduce the checking rates, even though checking is more beneficial. Surprisingly, individual's initial checking decision has a high predictive power of their respective checking rates. We propose two simple models that captures the aggregated checking results.



Ulrich Hoffrage

University of Lausanne, MPI for Human Development, Ludwigsburg University of Education

Integrating and Testing Natural Frequencies, Naïve Bayes, and Fast-and-Frugal Trees

(Ulrich Hoffrage, Jan K. Woike, and Laura Martignon)

This work (Woike, Hoffrage, & Martignon, 2017, published in *Decision*) relates natural frequency representations of cue-criterion relationships to fast-and-frugal heuristics for inferences based on multiple cues. In the conceptual part of this work, three approaches to classification are compared to one another: The first uses a natural Bayesian classification scheme, based on profile memorization and natural frequencies. The second is based on Naïve Bayes, a heuristic that assumes conditional independence between cues (given the criterion). The third approach is to construct fast-and-frugal classification trees, which can be conceived as pruned versions of diagnostic natural frequency trees. Fast-and-frugal trees can be described as lexicographic classifiers but can also be related to another fundamental class of models, namely linear models. Linear classifiers with fixed thresholds and noncompensatory weights coincide with fast-and-frugal trees—not as processes but in their output. Various heuristic principles for tree construction are proposed. In the second, empirical part of this article, the classification performance of the three approaches when making inferences under uncertainty (i.e., out of sample) is evaluated in 11 medical data sets in terms of Receiver Operating Characteristics (ROC) diagrams and predictive accuracy. Results show that the two heuristic approaches, Naïve Bayes and fast-and-frugal trees, generally outperformed the model that is normative when fitting known data, namely classification based on natural frequencies (or, equivalently, profile memorization). The success of fast-and-frugal trees is grounded in their ecological rationality: their construction principles can exploit the structure of information in the data sets. Finally, implications, applications, limitations, and possible extensions of this work are discussed.



Angela Doku

University of Geneva

Weather Shocks and Self-Esteem: Disentangling Psychological and Economic Impacts

(Salvatore Di Falco, Angela Doku)

We elicited individual self esteem using the Rosenberg scale (RSE) in three rounds panel data in the Nile Basin of Ethiopia to determine whether droughts during the main growing season affect self-esteem. We find that negative rainfall shocks has a negative and significant effect on levels of self-esteem. Results are robust and consistent across different specifications. Moreover, we find that self-esteem is correlated with elicited risk preferences . These results emphasize the important role of economic adversity on psychological constructs. We also find that the RSE is strongly correlated with investment decisions at the farm level.



Tamara Gomilsek

University of Konstanz
Graduate School of Decision Sciences
Department of Psychology

Predicting value-based decisions using a memory model

(Tamara Gomilsek, Janina A. Hoffmann, Wolfgang Gaismaier)

Value-based decisions are mostly portrayed as a weighing of attributes, although daily decisions, such as evaluating food, may often require retrieval of previous experiences. Indeed, prior work suggests that factors strengthening or inhibiting memory retrieval, such as the frequency of exposure, systematically affect value-based decisions. The current work aims to predict value-based decisions with a memory model that bases value-based choices solely on the overall familiarity of the current option to previously seen choice options. A simulation study showed that people should prefer more frequently encountered options to less frequently encountered options and options with higher values to options with lower values. Importantly, the memory model proposes that people should more strongly prefer frequently presented options that have higher values. We tested these predictions in an experiment that varied the frequency of presented options and their associated value in the learning stage. In the subsequent decision phase, participants had to repeatedly decide which out of two options possessed the higher value. In line with the predictions of a familiarity-based memory model in high-value pairs, participants opted more often for the more frequently encountered option compared to the less frequently encountered option. However, value-based decisions also systematically deviated from the predictions of a familiarity-based model. Particular, in low-value pairs, participants often rejected the more frequently encountered option compared to the less frequently encountered option, indicating that participants decided against the more familiar option. We speculate an additional retrieval process named recollection was influencing decisions in low-value pairs. Recollection is slow and a much more detailed retrieval process, therefore in the next step we will restrict the response time of participants in the decision phase in order to be able to isolate the familiarity process and to prevent recollection from intervening with decisions.



Julian Marewski

University of Lausanne

Beyond Vague Piece-Meal Models of Decision Making: Cognitive Architectures

(Julian Marewski)

Imagine a colleague told you that 'most models in the decision sciences, including evidence-accumulation, parallel constraint satisfaction, rational maximizing, and heuristics are under-specified, make vague predictions about process data, and represent piece-meal approaches.' Sounds rather provocative, if not outrageous, doesn't it? Yet, I will make that argument, and in so doing, call for a research strategy shift in judgment and decision making: rather than building ever more vague piece-meal models, we should focus on developing detailed models of decision making within well-established cognitive architectures. A cognitive architecture is a broad computational model that applies to many behaviors and tasks, formally integrating theories of memory, perception, motor action, and other components of cognition. Ideally, that detailed integrative model evolves over time, with researchers from different labs cumulatively contributing empirical findings to further develop and test the architectural computer code, this way, grounding it in thousands of data points. Among contemporary cognitive architectures, in cognitive science, the most detailed and most widely used one is ACT-R (<http://act-r.psy.cmu.edu/>). In modeling the interplay of multiple aspects of cognition, ACT-R predicts different types of process data simultaneously, ranging from reaction times at the millisecond level to eye-movements or measures of brain activity. Indeed, ACT-R has been applied successfully to model memory, learning, perception, and decision making in domains as different as intelligent tutoring, question answering, game playing, flying, driving, or strategy selection. At the same time, over the past decades the architecture has continuously been updated to account for new findings. I explain why ACT-R offers much (and currently under-exploited) potential for model development and experimental research in judgment and decision making. I make my points by providing an overview of ACT-R alongside with examples of how we have used ACT-R in our lab to address major theoretical challenges and controversies in the decision sciences.



Thursday 27/09/18

16:00

R 511

Voting



Juho Alasalmi

University of Fribourg / University of Tampere

Motivated Prospects of Upward Mobility

(Juho Alasalmi)

The prospect of upward mobility (POUM) hypothesis conjectures that the reason why the poor do not expropriate the rich and sometimes seem to vote against their self-interest is that they expect to move upward on the income ladder and fear that high redistribution may negatively affect them in the future. This paper explicitly models the beliefs agents have about their future income and examines how and when these beliefs are overly optimistic resulting in low redistribution. Agents collectively choose a linear tax rate under uncertainty about their exogeneous future incomes. In addition to the utility from consumption, agents derive utility from the anticipation of their future consumption. This incentivizes them to distort their beliefs. Given the cognitive technology for belief distortion, the motivated prospects of upward mobility emerge endogenously as a result of agents' choices between anticipation and consumption.



Philipp Lutscher

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Politics with Digital Means: The Use of Denial-of-Service Attacks in Non-democratic Regimes

(Philipp Lutscher)

As the penetration and importance of information- and communication technology is increasing worldwide, it is no surprise that these new technologies are increasingly used for political purposes. In this study, we investigate the use of Denial-of-Service (DoS) attacks, cyberattacks which shut down or slow down websites temporarily by flooding an Internet server with traffic. We show that during election periods in authoritarian regimes, the frequency of Denial-of-Service attacks increases. This is due to two mechanisms: authoritarian regimes employ Denial-of-Service attacks to censor the distribution of information and reduce popular mobilization, while at the same time, opposition activists use Denial-of-Service attacks as a tool to publicly undermine the government's authority. We analyze these mechanisms by relying on a novel way to measure Denial-of-Service attacks based on large-scale Internet traffic data. Combining this data with election periods, we show that these periods increase the number of Denial-of-Service attacks, especially on states where the authoritarian country's news websites are hosted.



Guido Tiemann

Institute for Advanced Studies, Vienna

The Electoral Consequences of Party Ambiguity and Voter Uncertainty

(Guido Tiemann)

The empirical estimation of established spatial voting models is characterized by a disconcerting range of both substantive and statistical alternatives, choices, and options. One key issue is whether distances among voters and party options are best characterized by convex or concave utility functions, i.e. whether theoretical and/ or statistical models of vote choice should employ linear or quadratic loss functions to adequately capture spatial utility. These options clearly transcend the domains of mere technical modeling choices, address attitudes towards risk, and directly relate to the electorates' reaction to party ambiguity and voter uncertainty. The empirical analysis rests upon the rich data provided by the collaborative project "The Comparative Study of Electoral Systems" (CSES). Comparative data analyses across heterogeneous national and electoral contexts clearly demonstrate that voters are, on average, much less risk-averse than assumed by the vast majority of empirical and theoretical contributions. Instead, we find that voters in mass elections are by and large neutral towards risk and are not repelled by party ambiguity and (candidate-induced or perceptual) voter uncertainty.



Soenke Ehret

Nuffield College, University of Oxford

Strategic Complexity and Political Reflection in a Foreign Language

(Soenke Ehret)

How does reasoning in a foreign language affect political strategic decision making on complex, intricate issues? An increasing share of voters and politically engaged individuals are confronted with policies operationalized in a non-native language or phraseology that they nonetheless understand. How does the fact of being entangled with such “new” language affect cognitive reflection on complexity in strategic settings? While the effect of language on decision making is usually understood through either the lense of social identities or the subtle grammatical formation of preferences, it is seldom hypothesized that foreign language reasoning can interact with the features, depth and scope of choices. Our paper presents a test of a model based on the presumption that language complexity itself modulates the capacity to process political choices by increasing the degree of abstraction and symbolic thinking individuals apply to political puzzles. Our intuition is that complex situations in strategic settings often demand effort, but beyond effort they depend on a mental mode that enables and licenses symbolic, abstract manipulation. We test this idea in three domains important to experimental social scientists. We first apply foreign language use based on decision theoretic reflection tasks in the context of motivated reasoning and show how both language and language variation affect critical reflection along with motivated reasoning. We then test decision making in strategic situations, specifically for a) pivotal veto power and whether foreign language use increases the attribution of outcomes to the presence of veto power, and b) strategic voting games, with the goal to evaluate whether foreign language use changes the way voters would choose strategically among different parties and options. Language might prime the parochial and it is a key concern of the design to limit the explanatory power of this explanation. The experimental setup makes use of a two countries - two languages cross over design. Each country has two treatments in the respective foreign language and in the respective domestic language. Subjects are recruited from two sources, a) pre-stratified by language exposure, skill and acquisition level (bilinguals vs learned individuals) from general population online pools, and b) recruited from social media online bulletin boards where the long term history and use of language of several years can be measured and scraped unobtrusively to obtain external predictors for heterogeneous treatment effects. Our contribution can be seen in a narrow sense regarding the political choice making process of immigrants who have acquired and are proficient in a new language and the question how such immigrants would process political complexity. Could thinking in a foreign language enable rational thought? It can be also seen in a wider sense, as the effect of changing the symbolic mental perspective on political choice puzzles and encourage discussion of other mechanisms that can achieve similar effects - for example mono-linguistic abstraction or alternatively, imagination.



Thursday 27/09/18

16:00

R 512

Risk II



Michael Birnbaum

California State University, Fullerton

Testing Models of Decision Making in the Presence of Error: A New Extension of True and Error Theory

(Michael Birnbaum)

My presentation falls in the intersection of Areas A and D of the conference. It presents both new statistical/error theory and also reviews new analyses using that theory to properly test both Expected Utility Theory and Cumulative Prospect Theory with experiments that are capable of answering the question of whether what seemed to be evidence against those theories might actually be compatible with those theories, once random error is taken into account. Kahneman and Tversky (1979) claimed their studies disproved Expected Utility theory as a description of how people make decisions. Prospect theories were proposed to explain the violations of EU. Birnbaum (2008) presented new experiments and analyses to refute Cumulative Prospect Theory (Birnbaum, 2008). However, a new extension of True and Error theory has been developed, in which so-called “evidence” against EU and CPT might actually be compatible with those models. The new extension of True and Error Theory (TET) is a testable theory that allows one to test substantive theories as special cases. TET is more accurate descriptively and has theoretical advantages over previous approaches. My presentation will describe a new, freely available computer program in R that can be used to fit and evaluate both TET and substantive theories that are special cases of it. In order to test TET and test theories like EU and CPT, it is necessary to do more complex studies than has typically been done in the past. In particular, one must replicate each choice problem, analogous to what is done in ANOVA, in order to estimate the error components. My presentation will review new analyses of diagnostic experiments. These analyses allow us to test TET and to test EU and CPT as special cases. As it turns out, the TET models fit data quite well and provide unambiguous answers to the question of whether or not CPT should be rejected. (The paper attached describes the R-program used to do the analyses that will be presented. If I were presenting only that paper, my talk would fit better in D, but my talk will focus more heavily on the viability of EU and CPT, making it a better fit for A).



Johannes Buckenmaier

University of Zurich

The Certainty Effect in Lottery Choice: Evidence from Response Times

(Carlos Alós-Ferrer, Johannes Buckenmaier, Michele Garagnani)

We conduct a lottery choice experiment where a heuristic might conflict with utility-based decision making. The heuristic is based on a well-known bias, the certainty effect (Kahneman and Tversky, 1979), where lotteries corresponding to a sure outcome receive disproportionate support. We aim to use choice frequencies and response times to clarify the conflict between the certainty heuristic and normative decision-making, specifically the origin of errors. However, both a definition of conflict and the classification of choices as errors or correct answers requires an estimation of individual utility out-of-sample. To that end, we estimate individual utilities using an unrelated set of lotteries, carefully chosen so as not to be affected by the certainty effect. We use Maximum Simulated Likelihood (MSL) to estimate risk aversion as a deterministic coefficient, but allow for sampling error. Once this is done, we can use the estimated utilities to classify errors and to determine when the heuristic choices following the certainty effect conflict with utility-based decision making. Data on choices and response times indicate that the behavioral bias induced by the certainty effect is well captured by a heuristic. Our results shed light on the origin of errors, specifically in situations where a heuristic is likely to be present.



Michele Garagnani

University of Zurich

Response Times in Risky Decision Making

(Carlos Alós-Ferrer, Michele Garagnani)

We conduct an experiment on risky decision making where we disentangle the effect of the numerical distance between the perceptual (numerical) and monetary values of stimuli on choices probabilities and response times. We estimate CARA utilities out-of-sample to be able to evaluate subjects' distance from indifference. This allows us to classify choices as "correct responses" or "errors" depending on estimated utility. By design, we take care of excluding possible heuristics and biases involved in the decision-making process. In line with well-established facts in psychophysics, error rates and response times are larger when stimuli are more similar (and hence the decision is harder) in terms of the estimated utility, but perceptual distance still plays a role. This suggests a cardinal view of preference, where preference strength determines choice frequencies. Moreover, this is in line with subjects acting as-if they allocated effort and attention based on the opportunity cost of choosing the right answer.



Yilong Xu

University of Heidelberg

Risk, time pressure, and selection effects

(Martin Kocher, David Schindler, Stefan Trautmann, Yilong Xu)

Time pressure is a central aspect of economic decision making nowadays. It is therefore natural to ask how time pressure affects decisions, and how to detect individual heterogeneity in the ability to successfully cope with time pressure. In the context of risky decisions, we ask whether a person's performance under time pressure can be predicted by measurable behavior and traits, and whether such measurement itself may be affected by selection issues. We find that the ability to cope with time pressure varies significantly across decision makers, leading to selected subgroups that differ in terms of their observed behaviors and personal traits. Moreover, measures of cognitive ability and intellectual efficiency jointly predict individuals' decision quality and ability to keep their decision strategy under time pressure.



Thursday 27/09/18

16:00

R 513

Social Preferences



Michael Zürn

University of Cologne - Social and Economic Cognition II

Of Bakers and Bankers: Asymmetric Payoffs in a Social Dilemma

(Michael Zürn)

Cooperation is advantageous because human interactions seldom take the form of a “zero-sum game”. This implies that cooperative behavior can create some kind of surplus in the payoffs of the “players”. At the same time, people who cooperate to create a surplus also have to distribute the joint payoff among them. The central question of this research is how an equal vs. an unequal distribution of a cooperation’s payoff affects the level of cooperation itself. Therefore, I compare behavior in symmetric social dilemmas with behavior in their asymmetric counterparts. In detail, participants played Public Goods Games where the payoffs (i.e. the marginal per capita returns from the public good) are either low or high and either symmetric or asymmetric. Crucially, all players faced the same payoff structure in the symmetric games (e.g., high payoff players faced other high payoff players) while players faced different payoff structures in the asymmetric games (e.g., high payoff players faced low payoff players and vice versa). Three experiments (total $N > 1000$) suggest that asymmetry (i.e. inequality) considerably decreases peoples’ willingness to cooperate. Moreover, the current paradigm allows to explore how concerns for fairness and interpersonal trust interact as two important psychological mechanisms underlying economic decision making. The results of this research might also inform macro-economic discussions about growing income inequality and its effects on economic and psychological well-being.



Frieder Neunhoeffer

Ca' Foscari University Venice
Department of Economics

How high stakes fuel overestimation and equality aversion: Experimental evidence

(Michele Bernasconi, Frieder Neunhoeffer)

Since the 1970's income inequality has increased around the globe. Yet, demand for fiscal redistribution has declined. Various approaches have been developed to contribute explaining this apparent paradox. Among others, two hypotheses are: the prospect-of-upward-mobility (POUM) hypothesis (Benabou and Ok, QJE 2001) and overestimation of relative income (e.g. Kraus and Tan, JESP 2015; Davidai and Gilovich, JBDM 2015). We conducted a laboratory experiment to study the impact that these two hypotheses may have on people's preference for redistribution. In the experiment, income mobility is simulated by means of one rigid and one less rigid mobility matrix. Subjects express their preference for redistribution by stating their preferred tax rate for each mobility matrix both under uncertainty and certainty of their relative income (similarly to Durante, Putterman, van der Weele, JEEA 2014). We include a treatment in which the impact of overestimation works against the POUM effect due to rational expectations of income mobility. Further treatments study the influence on subjects' preference for redistribution regarding: i) different levels of pre-tax income inequality represented by two real-world income distributions; and ii) whether income is earned based on merit (real-effort game) or on luck (random endowment). The experiment was carried out in April 2018 with 160 participants. First results suggest that higher income inequality and income based on effort rather than on luck weaken the POUM effect. Furthermore, we find a positive relationship between overestimation and the level of income inequality. We plan to have a working paper ready for presentation on the conference in September.



Andis Sofianos

University of Heidelberg

Self-reported & Revealed Trust: Experimental Evidence

(Andis Sofianos)

I study the relationship between self-declared trust attitudes - using a well-recognised and established personality questionnaire - and trust choices in an induced infinitely repeated trust game. I find that self-reported trust measures are valid. An important component of the design is that first movers are not privy to the choices made by their partners. This design feature, coupled with an uncertainty element introduced in determining the first mover's final payoff, allows me to analyse how first movers react to bad outcomes. Trusting individuals are more likely to give the benefit of doubt to others and they do so in higher proportions. Analysis of the incentivised subjective beliefs that were elicited reveals that the effect of personality traits on trust choices is independent of the effect of subjective beliefs. This suggests that individuals who describe themselves as trusting choose to trust more, due to a 'warm glow' effect. Further, I find that the personality trait effect is of comparable magnitude to that of risk attitudes. Finally, trusting individuals appear to identify when trusting is optimal or not – in a treatment where trusting is no longer optimal, everyone (including those declaring themselves to be trusting) trust less.



Fabian Dvorak

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Incentives for Conformity and Disconformity

(Fabian Dvorak, Urs Fischbacher, Katrin Schmelz)

There is abundant evidence for conformity but there are also situations in which people try to set themselves apart. We investigate how punishment and reward affect these behaviors. We rely on a 3 (punishment vs. no incentive vs. reward) x 2 (arts vs. quiz) experiment design. First, two subjects make a binary choice. In the arts domain, they choose one out of two arts postcards and in the quiz domain, they choose one out of two answers to a difficult knowledge question. Then, a third person makes the same choice, knowing the decision of the first two subjects. Since this third person also makes unconditional decisions in which the two options each are compared with a third option, we can infer whether subjects make conform, disconform, or autonomous choices. Finally, evaluators are shown the three choices of a group and, depending on the treatment, assign a bonus or a deduction to one of the three subjects. We find that punishment leads to more conformity and reward leads to more disconformity, and we find more conformity in the quiz domain than in the arts domain. Disconformity is rare. It exists only in the reward treatment and it is stronger in the arts than in the quiz domain.



David Grammling

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Intergroup Discrimination and Political Orientation

(Urs Fischbacher, David Grammling, Katrin Schmelz)

The “Moral Foundations Theory” (Graham, Haidt & Nosek, 2009) suggests conservatives to care more about ingroup-related norms than liberals. We challenge the generalizability of this result for two reasons: First, the moral foundations questionnaire (MFQ30 variant) is using six questions to measure the ingroup foundation. Two out of these refer to nationality, two others refer to unspecified groups (using the terms ‘group’ or ‘team’), one refers to family and one does not mention any group. Observing higher endorsement of these norms among conservatives can thus be an artifact. Second, the moral foundations theory implies that sensitivity to group membership is a general attribute, much like a personality trait. We argue, that it is context dependent and possibly not generalizable to different groups. We use a cross-national experiment to investigate heterogeneity in discrimination behavior towards different groups. Intergroup discrimination is measured by a series of third party dictator decisions, where subjects choose an allocation of points between a group member and an outsider. We use three criteria to separate our subjects into six groups: Nationality (Austrians vs. Germans) Political orientation (Lefts vs. Rights) Art preferences (Klee vs. Kandinsky) We find that discrimination of political opponents is strong and clearly linked to political orientation. Lefts discriminate against rights and vice versa. As expected, subjects with more extreme political orientation discriminate more, but strong discrimination is observed among moderates as well. Discrimination along nationality or art preferences is small and any effects of political orientation are insignificant. Additionally, we find that the ingroup foundation is unable to explain discrimination behavior, but social distance measured by the “Inclusion of the Other in the Self” (IOS) scale is highly correlated with discrimination behavior.



Friday 28/09/18

09:15

R 511

Political Decisions



Maurizio Strazzeri

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Migration and Internet Usage: Evidence from Nigerian micro-level data

(Maurizio Strazzeri)

How do modern information and communication technologies (ICT) influence human decision making with respect to migration? Based on theoretical considerations, the predictions are ambiguous: First, Internet usage affects the availability of information related to the migration decision, which might either increase or decrease the probability to migrate depending on the type of information received. Second, the large-scale adoption of modern ICT around the world has introduced a new form of social interaction which enhances the possibility to maintain strong ties with relatives and friends over long distances and thereby facilitates human mobility. I provide the first systematic micro-level test of the effect of Internet usage on the decision to migrate using the comprehensive General Household Survey (GHS) panel from Nigeria which covers the years between 2010 and 2016. I show that exposure to the Internet (i) increases the migration distance in general, (ii) increases the willingness to move between ethnic groups, and (iii) has a positive effect on rural-urban migration, controlling for a large set of pre-treatment characteristics at individual, household, and community level. An additional conditional instrumental variable approach using the presence of an Internet cafe in a community as an instrument confirms the first two results, but questions the positive effect on rural-urban migration. Overall, the results empirically support the theoretical arguments put forward in the migration literature that a deepening of global interconnectedness has increased human mobility.

Julian Schuessler

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Does the EU Successfully Buy Support? Evidence from a Regression-Discontinuity Design

(Julian Schuessler)

Can supranational institutions influence individual support for them by using monetary transfers? I study this question using a regression-discontinuity design for the case of the European Union. Up to a quarter of its total spending is targeted towards underdeveloped regions. There is evidence that these significant payments have positive economic effects. I argue, however, that their effect on individual attitudes towards the EU is theoretically ambiguous. I use a uniquely large dataset of geocoded individual-level survey responses spanning more than 20 years to, first, uncover evidence that the EU targets these transfers based on pre-existing attitudes. Second, I show that when one adjusts for this, identification using a GDP threshold is possible, but there appears to be no effect of the funds on attitude formation. This is consistent with informational problems being present, and I discuss implications for EU decision-making and regional integration more generally.



Hendrik Platte

University of Konstanz
Graduate School of Decision Sciences
Department of Politics and Public Administration

Who Gets What, How and Why? The Ways and Means of Migrant Group Influence on U.S. Foreign Policy

(Hendrik Platte)

As a prime target of migration flows and due to its role as the single most important player in international relations, there is a rich case study literature analyzing the influence of 'ethnic' interest groups on U.S. foreign policy. But while the mostly qualitative evidence suggests that the lobbying efforts of for example Cuban- and Israeli-Americans have significantly shaped U.S. foreign policy decisions, there is a dearth of knowledge regarding the question of what makes some migrant groups apparently more influential than others. While the trend in the literature is toward adding items to the list of criteria for successful diasporic lobbying without reexamining existing criteria, this study employs a quantitative-comparative approach to test which factors affect the degree of influence different migrant groups exert. Based on the rich and detailed information of the U.S. Census and American Community Survey data by the Integrated Public Use Microdata Series (IPUMS), the study tests the effect of group characteristics such as group size, geographic concentration or dispersion, socioeconomic status, degree of organization and the amount of campaign contributions on foreign policy outcomes like aid, sanction imposition or military intervention as well as votes in Congress. By this, the study contributes to the literature on the role of diasporas in international relations as well as to the broader field of interest group influence in foreign policy making.

Friday 28/09/18

09:15

R 512

Personnel Economics II



Nick Zubanov

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

What do referral bonuses do

(Guido Friebel, Matthias Heinz, Mitchell Hoffman, Nick Zubanov)

In a 13-month field experiment covering all grocery store jobs at a European retail chain, 238 stores were randomized to pay different levels of bonus for employees to make referrals, including bonuses over 40% of monthly take-home salaries. Larger bonuses provide a statistically significant, but economically small boost to the number of referrals made. Despite this, the referral bonus programs are highly profitable for the firm, as referred workers are substantially more likely to stay and also boost other workers' retention. Multiple surveys suggest that referrals remain low despite significant bonuses because of the reputation of grocery jobs as undesirable. In the firm-wide roll out after the experiment, referral rates remain low for grocery jobs, but are high for more reputable non-grocery jobs.



Lea Petters

University of Cologne

The Hidden Cost of Training

(Lea M. Petters)

In this project, I study the effect of training participation on the perception of a fair wage and how the subsequent productivity gains generated through training depend on the actual post-training wages. In particular, I hypothesize that training participation increases the norm with respect to the fair wage, and through this mechanism the actual post-training wage realization might affect the size of productivity gains generated through training. In a novel experimental design, I consider a principal-agent relationship with four agents being matched to one principal. In each of two working phases the agents work for 10 minutes on a real effort task. I vary whether the respective agent receives training or can enjoy free time between the two working phases, and whether he receives a wage increase in the second working phase. Both before and after the training phase/free time, I elicit the social norm with respect to the fair wage for the second working phase using a mechanism similar to the one introduced by Krupka and Weber (2013). The project provides an important contribution to the understanding of the behavioral effects of training provision and has broad implications for institutions and businesses investing in training for their employees.



Moritz Janas

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Delegation to a Group

(Sebastian Fehrler, Moritz Janas)

We study delegation to a group of career-concerned experts, who can acquire information of different, type-dependent accuracy. The alternative to delegation - consulting the experts individually - induces more acquisitions of costly information. However, the acquired information is better aggregated under delegation. Which of the two effects dominates, depends on the cost of information. We characterize this trade-off theoretically and test our model's predictions in an experiment. While most of them are confirmed, we also find that principals do not rely on groups as often as predicted. This result even holds when the group merely takes the role of an advisory committee and the principal keeps the decision power.



Friday 28/09/18

09:15

R 513

Finance



Julie Schnaitmann

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Indirect inference estimation of a misspecified DSGE asset pricing model using nonlinear vector autoregressions

(Joachim Grammig, Julie Schnaitmann, Dalia Elshiaty)

This project aims to combine indirect inference strategies for misspecified structural models with a two-step indirect inference approach to estimate a novel DSGE asset pricing model. Dridi et al. (2007) introduce the idea of estimating misspecified DSGE models via sequential partial indirect inference. Their insight is to separate the structural parameters into those of interest and nuisance parameters that are necessary to arrive at the general equilibrium. They propose to calibrate part of the nuisance parameters and estimate the rest of the structural parameters using a binding function that relates the structural parameters to auxiliary parameters. The set of nuisance parameters that are calibrated is chosen such that the estimation of the parameters of interest is still consistent. Similarly, Grammig and Kuchlin (2017), in a correctly specified setting, propose to separate the estimation of the structural parameters as well, albeit dependent on the model dynamics that they influence. Here, the structural parameters are classified into technology parameters, which can be separately estimated, and preference parameters whose estimation is intertwined with the technology parameters. They then apply a two-step indirect inference procedure based on two sets of moment conditions and binding functions. We aim for a synthesis of the two aforementioned estimation strategies to estimate a DSGE asset pricing model that has until now only been calibrated. Another novelty is that our auxiliary model is a nonlinear VAR in the spirit of Harvey (2013) and Licht et al. (2017). The departure from linearity arguably offers flexibility in matching the dynamics of the complex structural model. This should enhance the identification of the structural parameters of interest. We utilize the new approach to estimate the DSGE asset pricing model introduced by Chen (2017). This model augments a one sector stochastic growth model with external habit preferences and capital adjustment costs.



Johannes Zaia

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Does Say on Pay increase the Value of Shareholder Voting Rights?

(Axel Kind, Marco Poltera, Johannes Zaia)

This paper investigates whether the introduction of shareholder votes on management remuneration (so-called “say on pay” votes) has an impact on the value of voting rights. We exploit the staggered introduction of advisory and (stricter) binding votes on management pay across Europe in a difference-in-differences setup to additionally analyze if more rigid legislation causes stronger effects on voting right values. First results show that in firms in which the compensation of the management is not linked to firm performance, only binding votes on say on pay increase shareholder voting values significantly. These preliminary findings suggest that shareholders value the right to have a say on management compensation if votes force the management to revise compensation packages of management and if poor pay practices are in place. In contrast, shareholders are not willing to pay for the right to participate in symbolic, advisory votes on management pay even if the policy is not in line with best practices. Binding votes are also valued by shareholders if governance quality - measured by characteristics of board supervision, compensation schemes, dispersed ownership, and takeover defense mechanisms - is poor. Our preliminary findings are a first indication that shareholders value binding say-on-pay votes more than advisory votes.



Jens Ihlow

University of Konstanz
Graduate School of Decision Sciences
Department of Economics

Stock Market Performance of Jewish Firms During the Third Reich

(Jens Ihlow, Jens C. Jackwerth)

We study the performance of Jewish firms' stock during the Third Reich. Consistent with the discrimination of Jewish citizens, we document that, after Hitler's appointment as chancellor of Germany, Jewish firms underperformed by around 8% annually. After the forced removal of Jewish managers and owners, the underperformance persisted for around two years. This result suggests that investors, who observed increasing discrimination actions against Jews, continuously lowered their expectations on Jewish firms' future cash flows. Further, the pattern of underperformance indicates that investors judged Hitler's appointment likely already six months before the event.

