

Wednesday 26/09/18

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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.



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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

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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.



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R 513

Consumer Behaviour





Marcel Fischer

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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

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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.



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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.

