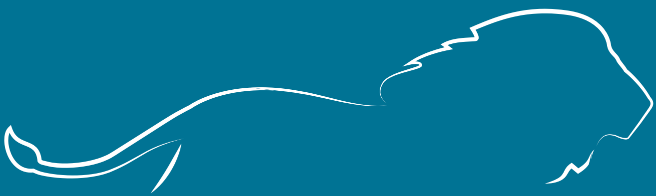
EWEBE

European Workshop on Experimental and Behavioral Economics



Ecully, FRANCE

17-18 June 2019

GATE Lyon / St-Etienne

Scientific Breakthrough Program INDEPTH UNIVERSITÉ DE LYON

France in the United States
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FACE THOMAS JEFFERSON FUND

LABEX CORTEX UNIVERSITÉ DE LYON

The European Workshop on Experimental and Behavioral Economics is organized by GATE

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With the support of the Laboratory of Excellence CORTEX, the program INDEPTH of IDEX Lyon, and the Thomas Jefferson Fund

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Program

Monday 17 June 2019

From 9:00	Registration
9:35 - 9:45	Welcome address by Marie Claire Villeval

Session 1 — Teamwork — Chair: Jordi Brandts

9:45 - 10:30	**John Hamman** (Florida State University) Delegation and Team Selection
10:30 - 11:15	**David Cooper** (Florida State University) Why Join a Team?
11:15 - 11:45	Break

Session 2 — Norms — Chair: Marta Serra Garcia

11:45 - 12:30	**Daniele Nosenzo** (University of Nottingham and LISER) Law and Norms: Empirical Evidence
12:30 - 13:15	**Erin Krupka** (University of Michigan) Promise Keeping Norms and Renegotiation Behavior
13:15 - 14:15	Lunch

Session 3 — Morality and Deception — Chair: Krista Saral

14:15 - 15:00	**Marta Serra Garcia** (University of California at San Diego) The (in)elasticity of moral ignorance
15:00 - 15:45	**Gary Charness** (University of California at Santa Barbara) What is Deception in Experimental Economics? A Survey
15:45 - 16:15	Break

Session 4 — Cheating on Markets — Chair: Erin Krupka

16:15 - 17:00	**Martin Kocher** (Institute for Advanced Studies, Vienna) Cheating on labour markets
17:00 - 17:30	**Marie Claire Villeval** (GATE, CNRS) The Nature of Lies in Financial Markets: the Role of Reputation and Competition
18:15	Departure of taxis to Radisson Blue Lyon
19:15	Workshop diner (on invitation) at Celest - Radisson Blue, 129 rue Servient 69003 Lyon.

Program

Tuesday 18 June 2019

Session 5 — Strategic Behavior — Chair: Julie Rosaz

9:00 - 9:30	**Camille Cornand** (GATE, CNRS) Double overreaction in beauty-contests with information acquisition: theory and experiment
9:30 - 10:15	**Ferdinand von Siemens** (University of Frankfurt) Equilibrium Behavior in a Social Preference Vacuum Chamber
10:15 - 10:45	Break

Session 6 — Democracy — Chair: Adam Zylbersztejn

10:45 - 11:15	**Joao V. Ferreira** (GATE, Université Lyon 2) On the Roots of the Intrinsic Value of Decision Rights: Experimental Evidence»
11:15 - 12:00	**Enrique Fatas** (Loughborough University and University of Pennsylvania) Democracy fights in darkness
12:00 - 13:00	Lunch

Session 7 — Preferences and Voting — Chair: John Hamman

13:00 - 13:30	**Fabio Galeotti** (GATE, CNRS) Evaluating the Trade-Off Between Political Preferences and Political Quality in Voting Decisions
13:30 - 14:15	**Shaun Hargreaves Heap** (King's College London) Group identification and redistribution in representative democracies: an experiment
14:15 - 14:45	Break

Session 8 — Motivation and Aspirations — Chair: David Cooper

14:45 - 15:30	**Matthias Sutter** (Max Planck Institute for Research on Collective Goods, Bonn) Social Preferences and Selection into the Financial Industry
15:30 - 16:15	**Jordi Brandts** (CSIC, Barcelona) Bidding for the Better Jobs: Experimental Evidence on Gender Differences in Aspirations.
16:15 - 16:45	**Brice Corgnet** (GATE, EM Lyon) Working Too Much for Too Little: Uncertain Rewards Cause Work Persistence
17:15	Departure of taxis to the hotel
19:30	Dinner at L'Opera Bouffe (on invitation) - 2 bis, rue Verdi 69001 Lyon.

Abstracts

Session 1 Teamwork

Delegation and Team Selection

John Hamman

We model an organizational environment in which a manager both determines the skill heterogeneity of her workers and determines whether to retain or delegate the ability to allocate tasks. The manager prefers delegating when uncertainty is sufficiently high relative to the incentive conflict with her workers, which is endogenously determined by her chosen team composition. Experimental data supports the direction of the main predictions, though it shows how and why participants deviate from expected behavior. Deviations from the optimal team composition are consistent with loss aversion and heuristic learning rules, while low cognitive reflection predicts worse decisions in both dimensions. Generally, the results highlight the difficulties in navigating complex managerial environments and illustrate potentially costly ways in which managers seek to simplify their decisions.

Why Join a Team?

David Cooper (with Krista Saral and Marie Claire Villeval)

Abstract: There is still little understanding of the reasons why individuals join teams. We designed an experiment to explore whether the willingness to teach others may explain the decision of high ability individuals to form a team with a less able co-worker. Several treatments of a real-effort task varied the possibility to communicate with the co-worker, the nature of the payment scheme, the stability of the pair matching, and the availability of hints for teaching. We found that abler individuals are much less likely to join teams when they have to share revenue, and removing the right to communicate reduces even further this likelihood. Their willingness to join teams was positively influenced by the opportunity to teach the co-worker, mainly for strategic reasons, i.e., when teams were stable and team members had to share revenue. Surprisingly, not all less able individuals were willing to join teams, regardless of the treatment.

Session 2 Norms

Law and Norms: Empirical Evidence

Daniele Nosenzo (with Tom Lane)

Social norms are known to exert a powerful influence on behaviour. Much theoretical attention has been paid to the question of whether, in determining behaviour, laws and norms are purely substitutes, or whether laws work partly by exerting a causal effect on norms. This paper provides an empirical contribution to the literature. We run an experiment to measure social norms, using the incentivised mechanism introduced by Krupka and Weber (2013). By exploiting situations in which the legality of an action is determined by a cut-off point, we are able to cleanly measure the independent effect of legality on the social appropriateness of various types of behaviour. Results show a consistently strong effect of laws on norms. Moreover, we find this is the case both in a country with strong legal institutions, the UK, and in a country with weaker legal institutions, China.

Abstracts

Promise Keeping Norms and Renegotiation Behavior

Erin Krupka

The desire to uphold promise-keeping norms greases the wheels of interaction by creating trust. Norms establish a set of mutual expectations which parties rely on to interact in the presence of uncertainty and renegotiation. We present a model of social norm compliance in a risky trust game. We establish a set of assumptions about the norm that characterize how promises affect the norm to fulfill an agreement, how the norm is changed once unforeseen contingencies are resolved and is changed if a renegotiation request is accepted or rejected. Using these assumptions, the model makes predictions about behavior patterns in the risky trust game. We conduct an experiment to test predictions both of the behavior patterns and the assumptions of the model. We show that behavior is consistent with the norms model and that our assumptions about the norms are supported. Using this model, we explain why most subjects make promises, why promises are largely fulfilled even when it is costly, how renegotiation success or failure affects the propensity to fulfill the promise and why nearly half of subjects do not request costless renegotiation even if it is available. This work sheds light on the impact of norms to influence renegotiation and extends the promise-keeping literature. For policies written against the backdrop of strong norms, we address implications and guidelines.

Session 3 Morality and Deception

The (in)elasticity of moral ignorance

Martha Serra Garcia

Ignorance allows individuals to excuse questionable moral behavior. This paper studies the elasticity of moral ignorance with respect to monetary and non-monetary incentives. We propose a simple behavioral model in which the moral costs of rejecting a certain moral outcome are differentially stronger than in the presence of uncertainty. We document that monetary incentives, even if small, can significantly reduce ignorance. By contrast, social norms have little impact on ignorance. Consistent with our model, moral costs are significant, and they increase when social norms are made salient, reducing information demand.

What is Deception in Experimental Economics? A Survey

Gary Charness (with Anya Samek and Jeroen van De Ven)

It is almost a religion in experimental economics that deception is bad. But precisely what constitutes deception is unclear. This issue is a thorny one and is a major methodological concern for experiments both in the lab and in the field. While there is a consensus view that deliberate and explicit lies are not permitted, there are quite a few "gray areas" with respect to practices that omit information or are misleading without an explicit lie being told. In this paper, we report the results of a large (788 respondents) survey of experimental economists concerning various specific gray areas. First, perhaps surprisingly, we find that there is a great degree of heterogeneity in the responses. Second, there is considerable difference in opinions across our seven specific scenarios; in particular, the data indicate a perception that costs and benefits matter, so that such practices might in fact be appropriate when the topic is important and there is no other way to gather data. We also survey former undergraduate students (126 respondents) who had participated in experiments, again finding considerable heterogeneity in views. Compared to researchers, students have different attitudes about deceptive methods in the specific scenarios and are apparently mostly only bothered by such practices when this affects their pay. A real surprise is that few students express awareness of the no-deception policy at their former schools.

Session 4 Cheating on Markets

Cheating on labour markets

Martin Kocher (with Michalis Drouvelis)

Our results from a laboratory experiment offer new evidence for the detrimental effects that cheating behaviour in the workplace may have on the degree of reciprocity between employers and employees. First, we replicate existing findings showing that in the absence of monitoring (cheating is possible), subjects cheat on their actual performance by self-reporting higher numbers of correctly solved pairs of matrices in a real-effort task. This cheating behaviour influences how firms decide to set their wages in a subsequent gift-exchange game. Specifically, firms offer higher wages for workers who cheat and interestingly, workers expect such behaviour by firms. These higher wages are not matched by workers' performance in the gift-exchange game, rendering the wage-effort relationship insignificant. In contrast, in the presence of monitoring (cheating is not possible), we find a positive and statistically significant relationship between wages offered and effort chosen by the workers. Our findings provide important implications for adopting measures within the workplace that eliminate employees' opportunities to cheat on their performance.

The Nature of Lies in Financial Markets: the Role of Reputation and Competition

Marie Claire Villeval (with Chloe Tergiman)

Using a finitely repeated game, we study whether fraudulent announcements of high returns of investment by project managers can be mitigated by reputation and by the introduction of standard market mechanisms when feedback is imperfect. In our laboratory experiment project managers announce to potential investors the likely return of their funds. Announcements are cheap talk and while some categories of lies can be detected ex post by investors, other remain deniable. We find that reputation (in the sense of fixed matching) reduces the relative frequency of extreme and detectable lies but cannot reduce the frequency of deniable lies. Instead of encouraging more honesty, market mechanisms lead project managers to make more risky lies to attract investors. Reputation and the associated threat of punishment in competitive markets reduce fraud but cannot eliminate the negative effect of competition on ethics.

Session 5 Strategic Behavior

Double overreaction in beauty-contests with information acquisition: theory and experiment

Camille Cornand (with Romain Baeriswyl, Kene Boun My)

In a beauty-contest with information acquisition, strategic complementarities give rise to a double overreaction to the most common and least private signal through their effect on equilibrium attention and equilibrium action. A laboratory experiment shows that the effect of strategic complementarities on the realised attention and the realised action is qualitatively consistent with theoretical predictions, though quantitatively weaker. Suboptimal allocation of attention and suboptimal action are equally responsible for the weaker realised overreaction. This suggests that it is just as important for a central bank to control overreaction to public disclosure by swaying information acquisition by recipients as it is by shaping information disclosure itself.

Equilibrium Behavior in a Social Preference Vacuum Chamber

Ferdinand von Siemens (with Thomas Große Brinkhaus, Volker Benndorf)

We study an ultimatum and trust game in an experimental social preference vacuum chamber. We reduce the impact of social preference by letting participants interact with computers. We can observe equilibrium behavior by using an iterative procedure in which the computers inherit the behavior of human participants interacting with computers. Our findings are more compatible with self-confirming than with Nash equilibrium. This suggests that bounded rationality and incomplete learning are important drivers of strategic behavior.

Session 6 Democracy

On the Roots of the Intrinsic Value of Decision Rights: Experimental Evidence

Joao V. Ferreira (with Nobuyuki Hanaki and Benoit Tarroux)

The aim of this paper is to investigate the motives behind an intrinsic value of decision rights. Based on a series of experimental treatments conducted in France and Japan, we measure how much of such potential value stems from (i) a preference for independence from others, (ii) a desire for power, or (iii) a preference for self-reliance. We find that both Japanese and French subjects attach a significant intrinsic value to hold control. Surprisingly, we find that self-reliance is the only significant motive behind it in both countries.

Democracy fights in darkness

Enrique Fatas (with Jordi Brandts, Catherine Eckel, and Shaun Hargreaves Heap)

It is an empirical regularity that democratic countries go to war with each other less than pairs of dictatorships (the so called dyadic interaction). The question is whether this relation is causal: do democracies make wars less likely? In a sequence of four laboratory experiments we study potential causal mechanisms, together with the behavioral change induced by different political institutions. In Experiment 1, democratic or dictatorial conditions are first exogenously imposed on distinct groups of participants. Groups are then paired, and play a Tullock conflict game with each other. Our measure of a group's bellicosity is their investment in this conflict, decided by voters (the dictator) in democratic (non-democratic) regimes. As in a final stage, participants decide how much to contribute to a public good from the resources not invested in conflict. We find no evidence of either causal mechanism linking democracies to peace, as democracies fight other democracies are significantly more bellicose than non-democratic regimes. Similar results are obtained when we repeat the analysis for asymmetric interactions of democratic and non-democratic regimes in Experiment 2 (the monadic interaction), as democracies drag non-democracies into conflict. In Experiments 3 and 4, we expand our definition of democratic institutions by adding a deliberation stage, giving full freedom of expression to participants (in both democratic and non-democratic regimes). While deliberation dramatically reduces bellicosity (and increases contributions to the public good) in democratic regimes, it significantly increases investment in conflict in inclusive dictatorships. Deliberation switches on and off different conditional contribution channels in democratic and non-democratic teams, and makes democracies more sophisticated, with efficient spillovers.

Session 7 Preferences and Voting

Evaluating the Trade-Off Between Political Preferences and Political Quality in Voting Decisions

Fabio Galeotti (with Daniel Zizzo)

We study experimentally whether voters weigh more the quality (described as honesty or competence) or the political affiliation of the candidates in public elections. Competence is measured by asking subjects to work on a real-effort task. Honesty is measured by asking subjects to report (truthfully or not) the value of a shared fund. We collect information about the political preferences of the subjects from a questionnaire circulated one week before the main session. We also run control sessions based on preferences towards paintings, within a standard artificial group identity paradigm. Our preliminary key finding is that most voters tend to have a bias towards candidates who share a similar political identity as theirs even if this results in a loss of profit.

Group identification and redistribution in representative democracies: an experiment

Shaun Hargreaves Heap

We test in the laboratory four mechanisms through which group identification might affect redistribution in representative democracies. From the voters' side, group identification can give rise to a preference for own group payoffs, for electing an own group candidate, and could be used to assess more accurately a candidate's character. From the candidates' perspective, identity might affect the optimal campaign platforms. There is evidence to support all four channels. Consistent with past experimental evidence, we find that the own group payoff motivation works against redistribution when the majority group is richer than the minority one. The other mechanisms, however, combine to make redistribution depend on a hitherto unrecognized factor: the political representation of the minority group. Indeed, we find that the post-redistribution economic inequality is decreasing in the number of minority candidates. Importantly, this is not a mere consequence of minority candidates favoring redistribution; voters also vote more for redistribution when it is proposed by minority candidates compared with when proposed by a majority one.

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Abstracts

Session 8 Motivation and Aspirations

Social Preferences and Selection into the Financial Industry

Matthias Sutter (with Andrej Gill, Matthias Heinz and Heiner Schumacher)

We examine the social behavior of business and economics students with varying professional preferences and experiences. In particular, we are interested in who of them self-selects into the finance industry. We do so by first collecting subjects' resumes and check where they did internships and the like, and then we track them until they get their first full-time job. We find that subject with a high interest in working in the finance industry act more selfishly in trust and public goods games. These results suggest that the financial industry may have a self-selection problem that contributes to the lack of trust in its employees.

Bidding for the Better Jobs: Experimental Evidence on Gender Differences in Aspirations.

Jordi Brandts (with Andrej Angelovski and Werner Güth)

We study behavior in an environment in which participants can bid in an auction for two prizes of different sizes. When failing to obtain one of the two prizes a basic income is the default outcome. We are mainly motivated by the issue of whether men and women behave differently with respect to occupying higher or lower positions in hierarchical firms, but we are also interested in the effects of other sources of heterogeneity. Initially, participants in two groups bid separately either in a firm with a steep hierarchy or in one with a flat one. Subsequently, the two groups are merged and each participant can bid for the positions in both firms. Overall, men's and women's average bidding is rather similar. Women bid higher than men, but not significantly so. Women's bids are more heterogenous and higher than those of men for the top position of the firm with the flat hierarchy. Both men and women bid close to the equilibrium for the lower prize but lower than in equilibrium for the higher prize. Our results suggest that the strong gender differences in attitudes towards competition that have been found in numerous previous studies are not due to having to interact in a competitive environment, but to the fact that participants perform a real-effort task.

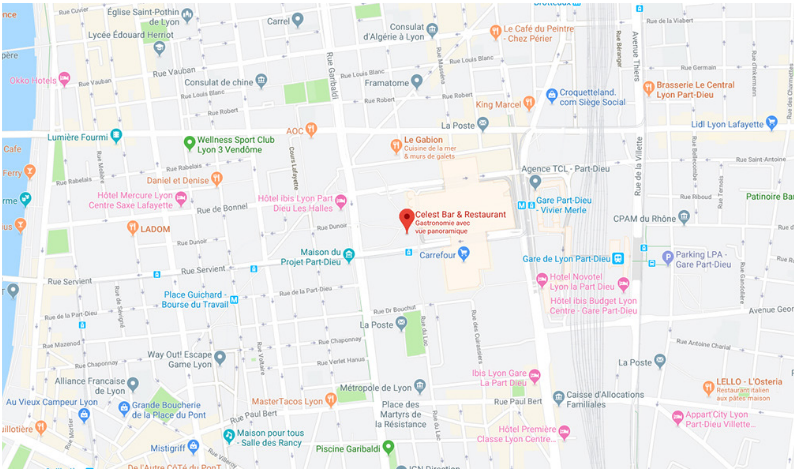
Working Too Much for Too Little: Uncertain Rewards Cause Work Persistence

Brice Corgnet

Theories of motivation in Economics and Management ranging from agency theory to expectancy theory hold that uncertain rewards may demotivate workers to engage in an effortful task. In contrast with this view, behavioral neuroscience has recently shown, in a series of experiments with animals, that uncertain rewards may act as a powerful motivator. We develop the Expectancy-Learning Theory by extending expectancy theory with the theory of incentive learning developed in neuroscience to explain why uncertain rewards can have both a positive and a negative impact on motivation. In line with our theoretical hypotheses, we show experimentally that persistence on a work task is especially pronounced when the entropy of uncertain rewards is high, which is also when the work task generates more stress to participants. We discuss the managerial and occupational health implications of our findings.

Maps of the restaurants

Radisson - Celest restaurant:



L'Opéra Bouffe restaurant: