TIBER 2018 Symposium on Psychology and Economics

August 24th 2018, Tilburg University

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18.00 - 19.00	*Foyer*	**Drinks**
18.30 - 22.00	*Faculty Club*	**Optional: Dinner at the Faculty Club (for those who registered)**

Keynote speakers

09:20-10.20

Speaker: Axel Ockenfels - University of Cologne

Engineering Trust

The science of norm enforcement, informed by theory and laboratory research, suggests that altruistic punishment is a key determinant of cooperation. My talk shows how this line of research can help to better understand reputation building behavior on eBay, and how it can help to design digital feedback and conflict resolution institutions that more effectively promote cooperation.

Prof. Dr. Axel Ockenfels is a German economist known for his work on behavioral and design economics. His scientific work has been published in leading journals in not only in economics, but also in business, psychology, and sociology. He is the director of the Cologne Laboratory of Economic Research. He is also a contributor for the Intergovernmental Panel on Climate Change (IPCC) and one of the authors of the book "Global Carbon Pricing: The Path to Climate Cooperation". In 2005, Ockenfels was awarded the Gottfried Wilhelm Leibniz Prize, Germany's highest research honor.

17:00-18:00

Speaker: Frans de Waal - Living Links, Yerkes National Primate Research Center & Psychology Department, Emory University, Atlanta, GA

The Myth of Human Cooperation as a "Huge Anomaly"

In the 1970s and 80s, humans were as selfish and non-altruistic as the rest of the animal kingdom. Nature was dog-eat-dog. Since the turn of the millennium, however, there has been an attempt to set humans apart. We have been declared the only true altruists, and the only genuinely cooperative species. We do not just exhibit regular reciprocity, but strong reciprocity. Behavioral economists have called human cooperation a "huge anomaly" in the natural world. We are the only ones to care about the welfare of others, and the only ones with joint intentionality. But if all of this were true, how come our best theories about the evolution of cooperation and altruism all stem from animal behavior? Every biologist knows that cooperation is ubiquitous in the natural world. Even cooperation between strangers has been demonstrated in other primates. I will argue that the whole movement to elevate human cooperation above the rest is built on sand. We find human-animal continuity in every domain, from empathy, cooperation, partner choice, and the role of oxytocin to reciprocal exchange and the sense of fairness. I will review manifestations of these phenomena in anthropoid apes, monkeys, elephants, rodents and other mammals.

Prof. Dr. Frans B. M. de Waal is a Dutch/American biologist and primatologist known for his work on the behavior and social cognition of primates. His scientific work has been published in journals such as Science, Nature, Scientific American, and outlets specialized in animal behavior. His popular books - translated into over twenty languages - have made him one of the world's most visible primatologists. His latest book is Are We Smart Enough to Know How Smart Animals Are? (Norton, 2016). De Waal is C. H. Candler Professor in Psychology, Director of the Living Links Center at Emory University, and Distinguished University Professor at Utrecht University. He has been elected to the (US) National Academy of Sciences and the Royal Dutch Academy of Sciences. In 2007, he was selected by Time as one of The Worlds' 100 Most Influential People Today.

10.30-10.55

Speaker: Jana Willrodt - Heinrich Heine University of Duesseldorf, and Bonn Graduate School of Economics
Additional Authors: Chi Trieu & Hanah Schildberg-Hörisch

Who should (not) benefit from affirmative action? Ability, effort, and discrimination as justifications for quota rules

Despite the growing experimental evidence on the consequences of affirmative action, little is known about the underlying conflict of perceived fairness of affirmative action schemes and their consequences for efficiency of outcomes such as average performance. With this paper, we aim at filling this gap by implementing three types of affirmative action schemes: one favors individuals disadvantaged due to bad luck or discrimination (impersonal factor), one favors individuals disadvantaged due to personal but out-of-control factors (such as innate productivity), and one favours individuals who are less successful due to a personal and in-control factor like low effort provision. Our research question is 'Do fairness perception and consequences of affirmative action depend on whether it favors individuals with low ability, who exert low effort or have bad luck?'. We examine outcomes of affirmative action in a tournament context, and investigate both immediate outcomes (efficiency / average performance and willingness to compete) and post-tournament outcomes (cooperation within a group of co-workers, and spiteful behaviors targeting individuals favored by affirmative action).

We find that affirmative action in favor of unlucky individuals and individual of low efforts is perceived as significantly fairer than no affirmative action and affirmative action for individuals of low ability. Further, we find that tournament increases performance, but affirmative action dampens this efficiency increase. In teamwork after competition, we find that affirmative action for unlucky individuals generates significantly higher group performance than no affirmative action.

10.55-11.20

Speaker: Flavia Arnese - Donders Institute
Additional Authors: Inge Huijsmans & Alan Sanfey

Integrating contextual inequality in fairness preferences

Experiments based on game theoretic models show that humans have a strong egalitarian preference: participants are willing to give up non-trivial sums to preserve fairness and punish transgressions. While fairness has been defined as self-centered inequity aversion, previous studies showed that expectations can influence fairness preferences. In particular, both eliciting as well as priming participant's expectations regarding the offers in the Ultimatum Game (UG) biased their acceptance behavior. Despite these egalitarian preferences, high inequality in the distribution of wealth is a typical feature of most contemporary societies. To investigate the effects of relative inequality on fairness preferences, we had participants play as receiver in an anonymous one-shot UG while being scanned using fMRI. We manipulated inequality by assigning both players different starting bonuses. We tested whether and how relative inequality affected fairness preferences, and whether this effect could be explained by different expectations generated by relative inequality between players. We predicted that participants would reject more low offers from richer players, as they expected higher offers. Conversely, we predicted participants would accept more low offers from poorer participants, as a result of lower expectations. Both predictions are consistent with the same norm (minimizing inequality) but are flexibly realized in opposite behavior (accepting VS rejecting low offers). With this fMRI study we aim to better characterize the neural substrate that allows for this flexibility in fairness preferences.

11.20 - 11.45

Speaker: Paul Smeets – Maastricht University
Additional Authors: Alain Cohn & Lasse Jessen

How Do the Rich Think About Redistribution?

People have different fairness views, ranging from egalitarian to fully accepting inequality. The distribution of fairness ideals in a society has important implications for political and economic outcomes. Here, we examine preferences for inequality of the rich, as they typically hold high-ranking positions in organizations and politics, and compare their preferences with those of the general population. To this end, we conducted large scale experiments with millionaires and the general population of the United States, in which participants could redistribute money between two workers. A special feature of our experiment is that it controls the source of inequality to be hard work or luck. We find that US millionaires are substantially more tolerant towards inequality than the general population and this is not limited to inequality resulting from hard work. Even when the source of inequality is pure luck, a substantial group of millionaires does not redistribute at all,. Preferences for inequality measured in our experiment predict real-world attitudes toward redistribution, such as tax attitudes and voting behavior.

11.45-12.10

Speaker: Louis Strang - University of Bonn
Additional Author: Sebastian Schaube

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

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.

10.30-10.55

Speaker: Ioannis Evangelidis - Bocconi University
Additional Authors: Deborah Small &
Jonathan Levav

Divergence between Hypothetical and Consequential Measures of Donation Behavior

Behavioral scientists frequently present respondents with hypothetical scenarios. For instance, a study on donation behavior may ask participants to imagine how they would behave given a choice between donating to a charity and not making a donation. Such proxy measures have the obvious benefit of lowering research costs and simplifying administration. When researchers employ hypothetical measures to assess human behavior, they rely on the assumption that the use of hypothetical over real behavioral measures should not have a systematic effect on the outcomes of the study. In this paper we empirically assess discrepancies resulting from the use of real versus hypothetical dependent measures in studies of donation behavior. In two well-powered studies (total N = 1,614), we present participants with identical stimuli and ask them to respond to either hypothetical or consequential measures involving real donations. We observe a contingency between the decision context and the type of dependent measure on the outcomes of the study. Specifically, we find that introducing new donation alternatives produces divergent effects in hypothetical versus real measures of donation. Donation rates and amounts increase when additional donation options are introduced but these results are limited to hypothetical measures of donation behavior. Our data are not consistent with the hypothetical bias and can not be readily explained by a difference in the loss aversion coefficient between hypothetical and real measures. We conclude with a discussion about the implications of our results for behavioral research.

10.55-11.20

Speaker: Eyal Pe'er - New York University Stern School of Business
Additional Authors: Minah Jung, Emily Powell & Joachim Vosgerau

Delaying Donations Can Increase Donation Amounts, but Not Willingness to Donate

Charitable giving makes people feel good, but it also comes, quite literally, at a cost. It is possible that alleviating this cost could increase donations. For example, Breman (2011) showed that monthly donors are more likely to increase their monthly donation amount if that increase is pledged to occur for future donations. Andreoni and Serra-Garcia (2016) showed that when the donation amount is fixed ($5) more people are willing to donate if the payment is in the future compared to today. In contrast to these studies in which either the willingness to donate or the amount donated were fixed, we examine both aspects of the donation decision simultaneously and examine how adding a time delay to donation decisions differentially impacts peoples' willingness to donate and, for those who donate, the amount they choose to give. We demonstrate, in five studies that people are indeed willing to donate more money when making a donation in the future than they are when that donation occurs today, but this delay does not affect their mere willingness to donate. This occurs for hypothetical donations of money (Study 1a-1b) and time (Study 2) as well as for consequential donations with real money (Study 3), and even in a within-subjects design (Study 4). Consistent with theories of resource slack (Zauberman and Lynch 2005), it is possible that people expect to have more money available in the future, which leads them to pledge higher amounts.

11.20 - 12.10: parallel session 2: **Prosocial Behavior**

11.20-11.45

Speaker: Sander Onderstal – University of Amsterdam
Additional Authors: Andrej Woerner & Arthur Schram

An Experimental Comparison of Crowdfunding Mechanisms

Crowdfunding has become an important fundraising practice but has received little attention in the economic literature so far. We introduce a new crowdfunding mechanism, the Generalized Moulin-Shenker mechanism (GMS), and show that, in theory, the GMS is a promising alternative to the prevailing All-Or-Nothing mechanism (AON). We then test our theoretical predictions in a lab experiment and compare the mechanisms' performance. Contrary to our theoretical predictions, we find that AON outperforms GMS, both from the producer's and society's point of view. Our findings are caused by a tendency of backers in GMS to underbid which prevails over time as effective feedback is very limited. This motivated us to explore a dynamic variant of GMS in the lab. The initial results suggest that this mechanism performs better than both the original GMS and AON.

11.45-12.10

Speaker: Gizem Yalcin - Rotterdam School of Management
Additional Author: Gabriele Paolacci

When Disadvantage is an Advantage: Benevolent Partiality in Consumer Donations

How should an altruistic consumer choose whom to help? The classical utilitarian answer, championed by the Effective Altruism movement, urges people to choose the charitable alternatives that produce the greatest welfare benefits (e.g., Singer 2015), maximizing the size of the benefit and the number of recipients who benefit irrespective of their characteristics (Pellegrino 2017). The size criterion posits that one should give towards the causes that bring more benefit, which typically and aptly prescribes that, all else being equal, people should help the most disadvantaged. When disadvantage is orthogonal to the cause, however, utilitarianism prescribes that donors should only attend to the number criterion: because "everybody to count for one, nobody for more than one" (Bentham 1789/1983), people should give towards the causes that allows benefiting more people as opposed to fewer.

In contrast to utilitarian prescriptions, we document a phenomenon that we call benevolent partiality. Across seven studies, we demonstrate that a sizable number of consumers prefer saving the lives of members of more disadvantaged groups, even if the same donation could save more lives of members of less disadvantaged groups. We replicate this effect when participants allocate money to different donation projects. We also show that benevolent partiality is decreased when donors reflect on how they should donate beforehand, when disadvantage is self-determined rather than externally caused, and for donors who score higher on the instrumental harm dimension of utilitarian thinking. Altogether, our results raise important questions about the morality and the effectiveness of charitable giving.

10.30 - 11.20: parallel session 3: **Dishonesty and Corruption**

10.30-10.55

Speaker: Shaul Shalvi – University of Amsterdam
Additional Authors: Bruno Verschuere, Yoella Bereby-Meyer, David Rand, & Nils Köbis

Intuitive (Dis)honesty – A Meta-Analysis

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. 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.

10.55-11.20

Speaker: Thijs Brouwer – Tilburg University

Would you trust someone who cheats to your advantage?

This paper examines how dishonest behavior that is beneficial to a passive other affects this beneficiary's trust towards the decision maker. Such acts arguably impose a moral dilemma on the passive beneficiary: she could either appreciate the beneficial aspect of the act and become more trusting as a result; or she could object to the dishonest nature of it and become less trusting of the dishonest decision-maker. Which of these two forces prevails forms the main question of this study. In my experimental design, three players -- two informed, one uninformed -- engage in a two-stage game, with an opportunity for one of the informed players to behave dishonestly towards the uninformed player to the benefit of both informed players. Informed players subsequently engage in a Moonlighting Game. This design allows me to measure the degree of trusting and trustworthiness among beneficiaries. I find that following both dishonest and honest behavior, trust of the informed player towards the decision-maker is decreased, as compared to a neutral situation in which no moral dilemma was imposed on the informed players. Restricting the sample to subjects that exhibit at least a minimal degree of internal consistency in the Moonlighting Game shows that, if anything, honest behavior decreases trust among the passive beneficiary, compared to both dishonest behavior and the Neutral case. With this study, I contribute by documenting that being faced with a moral dilemma per se, irrespective of actual behavior, can erode trust between players.

11.20 - 12.10: parallel session 3: **Dishonesty and Corruption**

11.20-11.45

Speaker: Florian, Engl - University of Cologne
Additional Author: Maivand Sarin

Coordinated Unethical Behavior and the Value of Disagreement: An Experimental Study

We study unethical behavior in groups when the implementation of a monetarily beneficial but morally questionable outcome requires agreement of all group members. Specifically, subjects in our laboratory experiment play a repeated pure coordination game in which groups can coordinate on an unethical or an ethical but payoff-dominated outcome, or forego all payoffs in case of disagreement. The unethical outcome implements a donation to a negatively perceived charity. Our treatments vary the group size, group composition, and the feedback about the group members' decisions. We find that large groups implement significantly fewer unethical outcomes than small groups. A separate part of our experiment allows to classify subjects as "unethical" or "ethical" types. We demonstrate that the group size effect occurs because large groups initially disagree more often than small groups. After disagreement, "ethical" types are more steadfast and less willing to compromise compared to "unethical" types, which leads, over time, to increasing coordination on the ethical outcome. We document that large groups with full feedback about other group members' choices combine the social benefit of low unethical coordination rates with coordination success rates that are, at the end, as high as those of small groups.

11.45-12.10

Speaker: Franziska Heinicke – Utrecht University
Additional Authors: Diogo Geraldes & Stephanie Rosenkranz

Lying on two dimensions and moral spillovers

The expanding literature on lying has been exclusively studying lying behavior within a one-dimensional context. While this has been an important first step, many real-world contexts involve the possibility of simultaneously lying in more than one dimension (e.g., reporting one's income and expenses in a tax declaration). In our study, we investigate individual lying behavior within a context where there is the possibility of simultaneously lying in two distinct dimensions to assess whether moral spillovers — in the sense of moral consistency or moral balancing — emerge between dimensions. That is, honesty on one dimension may legitimate lying on the other dimension while maintaining a positive self-image. We analyze the effect of dimensionality by means of a die roll task with two dice in which participants have to either report the outcome of both dice together in one dimension or have to report both dice separately. Our initial results indicate that two-dimensional lying decisions enable a higher level of dishonesty as compared to the one-dimensional decision. Further, the increased lying appears to be driven by over-reporting of the lower of the two dice in the two-dimensional treatment.

10.30 - 11.20: parallel session 4: **Incentives and Financial Behavior**

10.30-10.55

Speaker: Dennie van Dolder – VU Amsterdam
Additional Authors: Bouke Klein Teeselink, Rogier Potter van Loon, & Martijn van den Assem

Economic and Psychological Incentives in Darts

We examine the effects of economic and psychological incentives on the performance of darts players, using four large data sets of competitive darts matches. First, we analyze whether players perform better when the incentives to exert more effort are objectively higher due to higher benefits of throwing well or higher costs of throwing poorly. We find evidence that increased economic incentives can both have a negative and a positive effect on performance: relatively small incentive increases lead to better performance, whereas players choke under pressure when the incentive increase is too big. Second, we examine if players perform better when they are slightly behind, assuming that loss aversion increases motivation in such cases. In contrast to earlier findings for golf and basketball, and in spite of our sizeable data sets, we find no compelling evidence supporting this hypothesis.

10.55-11.20

Speaker: Andrej Woerner – University of Amsterdam

Overcoming Time Inconsistency with a Matched Bet - Theory and Evidence from Exercising

I theoretically and experimentally study a new commitment device designed to help people overcome time inconsistent behavior. The device, a matched bet, satisfies strict budget-balancedness. In a theoretical model I show that offering a matched bet helps both sophisticated and naive procrastinators reduce time inconsistent behavior. I conduct a field experiment to test the matched bet in a natural area of application: exercising. My experimental results confirm my theoretical predictions: offering a matched bet has a significant positive effect on gym attendance. People who reported to have procrastinated exercising in the past are significantly more likely to take up the matched bet. Overall, the matched bet proves a promising device to help people exercise more. I discuss how a matched bet could also be implemented in other areas such as studying, saving and smoking cessation.

11.20 - 12.10: parallel session 4: **Incentives and Financial Behavior**

11.20-11.45

Speaker: Marvin Deversi – LMU Munich
Additional Authors: Charles Bellemare & Florian Englmaier

Complex Compliance

In this paper, we shed light on the causal effects of complexity on compliance behavior. We lay a particular focus on disentangling whether complexity creates disincentives to comply versus facilitates deliberate non-compliance. Using laboratory experiments, we systematically vary the complexity and the moral context of a compliance decision. Our data shows that complexity effects are context-specific. Complexity causes more non-compliance if it induces a negative externality on an arguably less deserving organization (a luxury yacht club vs. a cancer charity). This finding is in line with models that take the availability and efficacy of complexity as a means to excuse immoral non-compliance into account. We discuss the implications of our study with respect to a recent policy debate on the simplification of tax rules, organizational bureaucracy, and complicated insurance refund policies.

11.45-12.10

Speaker: Hannie de Cloe–Vos - Dutch Authority for the Financial Markets (AFM)
Additional Authors: Ilva van der Gragt, Job van Wolferen, & Wilte Zijlstra

Prefilling income and expenditures has large and unwanted effects on telephone credit applications: a field experiment

Mobile phones in the Netherlands are often sold in combination with a subscription for a fixed price per month. Costs for the phone are often paid off over 12 to 24 months and are thus considered consumer credit. To prevent overindebtness, telecom providers must assess credit-worthiness. For phones costing between €250 and €1000, self-reports by the customer are sufficient. Some providers used an online form with prefilled amounts for income and expenditures.

To test how the choice architecture (with or without prefill) affected the amounts people reported, we conducted a randomized controlled trial with a telecom-provider involving N=2546 actual (potential) customers. Prefilling amounts led to 20.5 %points more reported incomes within a 5% range around the prefilled amount, and 15.8%-points more reported amounts close to the prefilled amount of expenditures.

Prefilling thus has a very strong and distorting effect on the amounts customers report when applying for a loan for their phone. Whether or not the loan is suitable for a specific customer is harder to ascertain when they are guided by prefilled amounts. To prevent improper credit provision, and to create a level playing field for providers, the supervisor AFM has ordered prefilling to be stopped and all providers have complied with this request.

13.50-14.15

Speaker: Jona Linde - Maastricht University
Additional Author: Thomas de Haan

Anchoring in Bargaining

A low opening offer is the most basic advice given to bargainers trying to achieve a low price. Such low offers can lead to low prices through different mechanisms. It can signal that you are a tough negotiator, it can commit you to a hard-nosed strategy, or it can anchor your opponent on a low number. In this project we try to distinguish between these effects, focusing on anchoring. Anchoring is one of the most well-established psychological mechanisms: if people consider a low number they will provide lower estimates and valuations in a range of situations. However, anchoring has never been studied in a strategic setting such as bargaining, where, as discussed, many different mechanisms can affect strategies simultaneously.
In our experiments we will present proposers in an ultimatum bargaining setting with an anchor value that is either randomly determined, or set by their responder. Comparing the offers made after similar random and strategically set anchors allows us to explore whether anchoring works in a strategic settings. Comparing the strategic anchor treatment with a control treatment without anchors allows us to determine whether respondents manage to use the anchors to get better offers. Additional treatments allow us to differentiate between mechanisms that could explain observed differences between the effects of random and strategic anchors, such as information transmission and commitment by responders. Results from this experiment add to our understanding of the mechanisms behind anchoring, and the effectiveness of different bargaining strategies.

14.15-14.40

Speaker: Margarita Leib – University of Amsterdam
Additional Authors: Nils Köbis, Shaul Shalvi & Marieke Roskes

In a Seller's Market, Setting Precise Asking Prices is Suboptimal

Negotiations 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, a common advice for sellers is to set a precise, rather than a round, asking price. Here we assess when such advice is suboptimal. Three pre-registered studies tested the prediction that whereas setting precise asking prices is beneficial 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, precise prices are suboptimal. In study 1 we surveyed Dutch real-estate agents and found that a substantial proportion of agents advice sellers to set precise asking prices, even in a seller's market. In studies 2 and 3 we experimentally test the effect of precise vs. round asking prices on counteroffers in both market types. Participants read a scenario, imagining they are 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, precise asking prices result in lower counteroffers and thus suboptimal compared to round asking prices. The estimated negative impact of setting precise, rather than round, asking prices in heated housing markets like Amsterdam is estimated at thousands of Euros per deal.

14.40-15.05

Speaker: Anders Poulsen - School of Economics and CBESS, University of East Anglia (Norwich, UK)
Additional Authors: Fabio Galeotti & Maria Montero

The attraction and compromise effect in bargaining: experimental evidence

We experimentally investigate the Attraction Effect and Compromise Effect (AE and CE) in bargaining. We hypothesize that the strength of the AE and CE in bargaining is constrained by how focal the feasible agreements' payoffs are. We indeed observe that there are significant AE and CEs, but only under certain conditions on the feasible payoffs.

13.50-14.15

Speaker: Thomas Schlösser - Institute of Sociology and Social Psychology, University of Cologne, Germany
Additional Authors: Carolina Dahlhaus & Detlef Fetchenhauer

“He that has plenty of goods shall have more”? The connections between a group members’ social status, behavioral trust and trustworthiness, and the respective expectations.

Research has mainly focused on the connection between a person holding a social status and its willingness to trust some (generalized) other. In 2 small group studies (N=18, N=28, = 1062 trust decisions) we elicited participants’ decisions to trust and to act trustworthy in mutual inter-individual Trust Games among the group’s members. Also, the respective expectations were measured. Participants were asked about their own subjective and the interaction-partners objective social status. This allowed us to explore the dynamics between individuals that differ in social status to understand the causality (and not only the correlation) of such interactions. Results: the higher the participants’ objective social status, the more trust and trustworthiness they received. Plus, the higher the participants’ objective social status, the more they were expected to act trustful and trustworthy. But, participants’ trust decisions and trustworthiness were not connected to their objective social status. Furthermore, the difference of subjective minus objective social status is a measure of the subjective anticipated status evaluation of the partners in one dyad. The higher this measure of both partners and, additionally, the more the trustor perceived himself as status-higher compared to his partner, the more this trustor was prone to trust. This interaction effect translates into a cartel of trust among the subjectively status-high participants. In this sense, the saying “He that has plenty of goods shall have more” is filled with an unexpected meaning. Implications for the inequality debate and aspects of trust repair will be discussed, also based on further studies.

14.15-14.40

Speaker: Theodoros Alysandratos - Lancaster University
Additional Authors: Sotiris Georganas & Matthias Sutter

Driving to the beat Beat: Reputation vs Selection in the Taxi Market

Information asymmetries, such as those involving credence goods, can be very important, potentially leading even to complete market breakdown. "Matchmaking" apps promise to solve the problem of asymmetric information by creating reputation incentives. This article presents a natural field experiment on taxi rides in Athens, Greece, designed to differentiate between the effect of reputation and that of selection into the "matchmaking" platform. RAs took 600 rides and recorded relevant aspects of service. Our design allows two main contrasts. First, we observe regular yellow cabs that have been selected by a hailing/reputation app, Beat. In a between-subjects design, we compare services offered by Beat-affiliated drivers when hailed through the app and when hailed in the street. We thus isolate the pure reputation effect, since street hailing is practically a one shot game. Second, we compare unaffiliated yellow cab drivers to Beat drivers without using the app. In that way we can estimate the size of the selection effect, since the two driver groups only differ in that Beat has selected the latter. We find that reputation dominates selection. The effect is larger in the quality of service, which is easily verifiable by the passengers, than in the price, where the information asymmetry is strongest.

14.40-15.05

Speaker: Joel van der Weele - University of Amsterdam
Additional Author: Manuel Foerster

Social image, justification, and downplaying social impact

Parties in policy debates often agree on ethical principles but disagree on the right policy to implement them. For instance, both proponents and opponents of development aid agree that helping people in need is morally right, but disagree about the effectiveness of aid. Strategic considerations and reputation may play a role in these debates. Publicly communicating or even exaggerating social impact may induce contributions that increase social welfare. At the same time, it raises pressure on the communicator to personally take costly action, like giving to charity.

We study this tradeoff in an experiment on charitable giving. An informed "sender'' is matched with an uninformed "receiver''. Before making a donation to charity, the sender receives a noisy signal about the impact of the donation and can communicate (truthfully or falsely) a message to the receiver. In a "public'' treatment, we create a "justification motive'' for unwilling givers to downplay the social impact, by making donations visible.

We find that there is a significant shift in sender communication between the treatments. In line with a motive to justify selfish actions, there is less over- and more understatement of the impact of a donation in the public treatment. This affects the behavior of receivers, who are much less likely to donate after receiving a low signal. To our knowledge, we are the first to show how that image concerns may depress giving through a negative shift in communication. More generally, we demonstrate how communication about externalities is intimately connected with image management.

13.45 - 14.40: parallel session 7: **Risk and Decision Making I**

13.50-14.15

Speaker: Bernd Figner - Radboud University
Additional Authors: Jörg Rieskamp, Thorsten Pachur, Renato Frey, Jonathan Westfall & Andreas Pedroni

A Prospect Theory Account of the "Hot" Columbia Card Task

The investigation of decisions under risk has mainly followed one of two approaches. One relies on observing choices between lotteries in which economic primitives (outcome magnitudes, probabilities, and domains (i.e., gains and losses)) are varied systematically, and this information is described to participants. The systematic variation of the economic primitives allows to formally describe behavior with expectation-based models such as expected utility theory or cumulative prospect theory (CPT), arguably the most prominent descriptive theories of risky choice. One drawback, however, is that lottery tasks can seem artificial, likely reducing the external or ecological validity. A second more naturalistic approach employs dynamic paradigms that mimic features of real-life risky situations and are assumed to have higher ecological validity. Because key information is often not provided to the decision maker, it is impossible to apply the same models as in the first approach. The goal of the present work is to integrate both approaches, by developing models for the "hot" Columbia Card Task (CCT), a task that combines a dynamic decision situation with systematic trial-to-trial variation in economic primitives. In a model comparison on the basis of the data of 191 participants, we identified a best-performing model that describes behavior as a function of CPT's main components, outcome sensitivity, probability weighting, and loss aversion. Our work therefore provides a framework that allows the description of risk-taking behavior in a naturalistic dynamic task based on key psychological constructs (e.g., loss aversion, probability weighting) that are rooted in the factorial variation of economic primitives.

14.15-14.40

Speaker: Christoph Merkle - University of Mannheim
Additional Authors: Jan Mueller-Dethard & Martin Weber

Closing a Mental Account: The Realization Effect for Gains and Losses

There is a long-standing debate on how risk attitudes change depending on previous gains and losses. Some studies find that individuals become more risk-seeking after losses (Weber and Zuchel, 2005), while others find that they become more risk averse (Massa and Simonov, 2005). For gains, it is similarly inconclusive: Investors either become more risk-seeking after gains (Thaler and Johnson, 1990) or more risk averse (Coval and Shumway, 2005). For losses, Imas (2016) proposes that realization reconciles the seemingly inconsistent findings. He finds that investors' risk aversion increases after a realized loss, whereas it decreases after an unrealized (paper) loss. This effect is termed realization effect.

In four experimental studies (N=905), we test the generalizability and robustness of this effect. We extend the analysis to gains, investigate different lottery specifications and analyze the realization mechanism. In a first experiment (N=203), we replicate the realization effect for losses and find an analogous effect for gains. After paper gains, individuals become more risk-seeking, whereas they become more risk-averse after realized gains. In a model based on Barberis et al. (2001), we show that differential risk taking conditional on realization can be explained by varying loss aversion over different mental accounts. In a second, third and fourth experiment (N=702), we vary the lottery specification (symmetric and negatively skewed) and use a different realization mechanism. In none of these modifications we find a realization effect. We propose that a positively skewed lottery and a physical transfer of money are necessary conditions for the realization effect

14.40-15.05

Speaker: Michele Garagnani – University of Zurich
Additional Authors: Carlos Alòs-Ferrer

Response Times in Risky Decision Making

In perceptual experiments, when alternatives are more similar, error rates are larger and decision times are longer. These phenomena are often referred to as the psychometric and chronometric functions, respectively.

In two experiments on economic decision making under risk, we study whether these phenomena persist also in economic studies and help us explain the relation between choice similarity/difficulty, choice frequency, and response times. In the first study, we use a judgement task where we control for economic and perceptual difficulty of choices. In the second study, we introduce an economically relevant task, involving risky decisions, where even what is ""correct"" is subjective and depends on the individual's risk attitude. Therefore we estimate CARA utilities out-of-sample.

In both cases, cardinal economic differences between options determine choice frequency and response times. Expected utility is the relevant dimension of choice difficulty, compared to expected value, when the choice involves individual preferences. Moreover, purely perceptual factors create additional (but second order) effects. These results suggest a cardinal view of preferences, where preference strength determines choice frequency and response times, going beyond what postulated by von Neumann and Morgenstern.

13.50-14.15

Speaker: Jingnan (Cecilia) Chen - University of Exeter
Additional Author: Daniel Houser

Gender composition, stereotype and the willingness to lead in teams

The gender composition of teams, and the way it impacts organizational outcomes, has attracted increasing attention in the media and the leadership literature. Nonetheless, past research has left open the question of how a group's gender composition impacts group performance. In this paper, we propose and experimentally test one potential answer: the gender composition of a group may moderate one's willingness to lead the group and therefore impact the group's overall performance. Using a controlled laboratory experiment, we randomly assign people to groups with varying gender compositions. We find that, on average, people in mixed gender groups are twice as likely to exhibit the gender stereotype effect as those in single gender groups. Further, the gender stereotype effect vanishes for males but not females in single gender groups. Our results have important policy implications for single/mixed gender schooling, as well as gender diversity in the workplace.

14.15-14.40

Speaker: Thomas Buser – University of Amsterdam
Additional Authors: Alexander Cappelen, Uri Gneezy, Moshe Hoffman & Bertil Tungodden

Are left-handers more competitive? On the neurological origins of willingness to compete

We ask whether individual and gender differences in willingness to compete are partially determined by nature. We use handedness and footedness as a proxy for innate neurological differences. Being a "lefty" (having either a dominant left hand or a dominant left foot) is associated with neurological differences which are fixed prenatally and which reflect a masculinized neurology. We compare the willingness to compete of lefties and righties in large-scale data that contains incentivized experimental choices from more than 5000 participants. We collected data from four distinct populations in four different countries on three continents: villagers in north-east India, high-school students in Norway, high-school students in Tanzania, and a nationally representative sample in the Netherlands. Our study also represents the largest inter-cultural replication of the gender gap in willingness to compete to date.

14.40-15.05

Speaker: Maria Cubel - Brunel University
Additional Authors: Santiago Sanchez-Pages

Gazes and Numbers: An Experiment on Strategic Sophistication and Gender Biases

This paper explores how the strategic sophistication of men and women varies with how their interaction is framed. On the one hand, there is plenty of experimental evidence showing that individuals display varying levels of strategic sophistication, and that their depth of strategic reasoning is endogenous (e.g. Alaoui and Penta, 2016). On the other hand, there is evidence showing that women are better in guessing what others feel and think (e.g. Baron-Cohen, 2002). The paper combines these two ideas by studying whether the perceived gender-bias of a strategic interaction affects differently the level of strategic sophistication of men and women. The paper presents the results of two laboratory experiments. One is a two-player beauty contest in which strategies are numbers and participants must compute and guess the average response within their pair. We find that in this dominance-solvable game, men are more likely to identify the dominant strategy but that their distribution of earnings is a mean-preserving spread of the earnings distribution of women. In the second experiment, players play another dominance-solvable game in which they have to correctly associate photographs of eye gazes to their underlying emotions in order to pick the best players in a tournament against another participant. This game is perceived by subjects as strongly female-biased despite the performance of males and females is similar. In this case, we find no gender differences in the likelihood of identifying the dominant strategy but we again observe that females are underrepresented among the top performers.

15.25-15.50

Speaker: Koen van der Swaluw - Tilburg University & RIVM
Additional Authors: Mattijs S. Lambooij, Marcel Zeelenberg, Jolanda Mathijssen, Johan J. Polder & Henriëtte M. Prast

Consequences of Regret Aversion in Intertemporal Choice

If decision-makers expect to learn the outcome of a non-chosen decision-alternative (i.e., expect to receive counterfactual feedback), this impacts their decisions. It remained unclear to what extent such feedback retains its influence on decision-making if feedback is delayed and whether feedback influences delay discounting. In three experiments (N = 175; N = 735; N = 346 respectively), we varied counterfactual feedback on delayed and uncertain gains to test if this would affect I) certainty equivalents and II) degrees of delay discounting. Counterfactual feedback did not attenuate delay discounting, but did affect decisions in the present with delayed consequences. In a choice between an immediate certain gain and a delayed gamble, participants who were guaranteed to always learn the outcome of the delayed gamble (Feedback Conditions) valued the gamble higher than participants who were not guaranteed this (No Feedback Conditions). This pattern was not significant when amounts were higher, which may have practical implications.

15.50-16.15

Speaker: Charlotte Saucet - ENS Lyon, Université Lyon
Additional Author: Marie Claire Villeval

Motivated Memory in Dictator Games

The memory people have of their past actions is one of the main sources of information about themselves. To study whether people retrieve their memory self-servingly, we designed an experiment in which participants have first to play binary dictator games and, second, recall the amounts allocated to the receiver. We investigate whether dictators (i) exhibit poorer recalls, (ii) over-estimate more often and (iii) to a larger extent the receiver's amount when they have chosen the selfish option. We find that introducing monetary incentives for memory accuracy increases the dictators' percentage of correct recalls only when they have chosen the altruistic option. The percentage of correct recalls of the dictators is lower when they have chosen the selfish option, showing that amnesia is more likely to affect selfish than altruistic dictators. However, dictators do not bias strategically the direction and magnitude of their recalls."

16.15-16.40

Speaker: Arnoud Plantinga - Tilburg University
Additional Authors: Seger Breugelmans & Marcel Zeelenberg

The vicious cycle of poverty and social withdrawal

Poverty is often associated with feelings of shame. However, little is known about the behavioral effects of this type of shame. We study whether people deal with this feeling by withdrawing themselves from social situations. We analyze existing data from a Dutch representative sample (LISS panel, N = 5015). In a cross-sectional analysis, we find that a worse financial situation is related to more social withdrawal. This effect is partially mediated by feelings of shame. Longitudinally, we test the relationship between financial situation and social withdrawal with a latent growth model. We find evidence for bidirectional effects: People with financial problems show more social withdrawal over time, and socially withdrawn people's financial situation is more likely to become worse. This suggests a vicious cycle of poverty and social withdrawal.

15.25-15.50

Speaker: Christoph Kogler – Tilburg University
Additional Authors: Jerome, Olsen & Jenna, Barrett

Delayed feedback on audits impacts on tax compliance

The present study tests the effect of delayed audit feedback on tax compliance in an incentivized experiment with a repeated-rounds design including varying tax rates, audit probabilities, and fine levels. Previous studies (Kogler, Mittone, & Kirchler, 2016; Muehlbacher, Mittone, Kastlunger, & Kirchler, 2012) suggest that delaying feedback on tax audits results in higher levels of tax compliance compared to immediate feedback (the standard form of feedback in tax experiments). Accordingly, in this experiment participants were either assigned to a delayed feedback condition, were information on the occurrence and the outcomes of audits was only communicated after the last of 18 rounds of taxpaying, or an immediate feedback condition, where the respective information was reported directly after each round. The results indicate that compliance in the delayed feedback condition was significantly higher than in the immediate feedback condition, and this effect develops over time. In addition, higher tax rates, higher audit probability, and higher fine levels result in higher tax compliance. Furthermore, a significant interaction effect for feedback type x audit probability was observed, with higher compliance in case of delayed feedback and the medium level of audit probability. Exploratory analysis also revealed a significant difference in reaction times, i.e. participants in the delayed feedback condition took longer time to make compliance decisions. Implications for tax research and policy-making will be discussed.

15.50-16.15

Speaker: Till Weber - University College Dublin
Additional Authors: Benjamin Beranek, Simon Gaechter, Fatima Lambarraa & Jonathan F. Schulz

A cross-societal comparison of cooperative dispositions and norm enforcement

All societies face a multitude of small- and large-scale cooperation problems. Societal differences in culture and institutions have previously been identified as a key driver of individual cooperative behaviour when making a trade-off between personal benefits and societal welfare. A possible explanation is that culture and institutions influence cooperative dispositions, beliefs, and the propensity to punish free-riding, all of which jointly affect cooperative efforts. We measure these important factors using variants of public goods games with student participants in four countries (Morocco, Turkey, UK, US). We find that differences in the cooperation rates across societies cannot be explained by differing cooperative dispositions alone. Beliefs about other people's cooperative efforts and propensities to punish help to explain cross-societal variation in behaviour. Furthermore, costly altruistic punishment in our one-shot game is remarkably similar across different societies. This contrasts previous studies that use repeated games to investigate cross-societal differences in punishment. Thus, societal differences in punishment are likely to be driven by strategic play or retaliation emerging in repeated interactions. Interestingly, we find that emotional responses to free riding are similar across societies, making negative emotions a likely driver of costly altruistic punishment.

16.15-16.40

Speaker: Nils Köbis - University of Amsterdam
Additional Authors: Charles Efferson, Ivan Soraperra, Theo Offerman, Shaul Shalvi & Sonja Vogt

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

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.

15.25-15.50

Speaker: Pieter Verhallen - Maastricht University, Netspar
Additional Authors: Elisabeth Brüggen, Thomas Post & Gaby Odekerken-Schröder

Friends with Benefits: Strengthening Peer Effects through Aligning Consumer Traits with Reference Group Attributes

Sharing information about peers' behavior has been shown to influence a consumer's behavior across many contexts. However, such peer effect interventions are not always, and not for everyone, effective. We predict that aligning specific reference group attributes with specific consumer traits can solve this puzzle and amplify the peer effect across a heterogeneous population. Specifically, we look at two channels of influence: a normative and an informational channel. We test whether consumers' perceived social identification with and source credibility of reference groups interact with specific traits of consumers. Study 1 identifies reference group attributes that drive social identification and source credibility as perceived by a sample of pension fund participants (N=1466), utilizing a novel discrete-choice conjoint analysis. Studies 2 and 3 translate these results into peer interventions in the lab (N=277) and field (ongoing), respectively. We find that, indeed, alignment of specific reference group attributes with specific consumer traits, based on our proposed channels, strengthens the peer effect.

15.50-16.15

Speaker: Frederica Farolfi - Department of Economics, University of Zurich
Additional Authors: Carlos, Alós-Ferrer & Sabine, Hügelschäfer

Imperfect Bayesians: A Process Model and Evidence from Response Times

We conducted a Bayesian updating experimental study to investigate the heuristic processes (i.e. conservatism and representativeness heuristic) underlying decision making under uncertainty. The proposed design accounts for chronometric effects linking the difficulty of decisions and dual processes. We found that a process referring to conservatism exhibits features of automaticity whereas representativeness seems to be a more 'cognitive heuristic'. The results provide evidence that once we control for the strength-of-preference, other regularities in terms of discriminability appear. These regularities affect RTs and error likelihood as predicted by the Dual-Process Diffusion Model (Alós-Ferrer, 2016).

16.15-16.40

Speaker: Jianying Qiu - Radboud University
Additional Author: Qiyan Ong

Decision making with incomplete preferences: An experimental investigation

We examine directly decision making with incomplete preferences. Incomplete preferences are characterized by decision makers having contradicting valuations. Various rules have been proposed to aggregate those contradicting valuations when individuals are forced make a final decision. A direct test of those rules faces the difficulty of eliciting subjective valuations. We circumvent the difficulty by replacing subjective valuations with objective information that is directly observable and easily manipulable. Our results suggest that while subjects give more weight to cautious valuations, they use all valuations provided in their decision-making. Furthermore, the decision utility increases with the mean and decreases with the dispersion across evaluations. Finally, while ignored by all existing models, the third-order distribution - the confidence on the distribution of the valuations - also plays an important role in decisions.

15.25 - 16.15: parallel session 12: **Economic Rationality**

15.25-15.50

Speaker: Eli Spiegelman - BSB, Univ. Bourgogne Franche-Conté
Additional Author: Lopez-Perez, Raul

Too much for me! Limited attention and preference reversals

Psychologists have offered abundant evidence of behavior that violates revealed preference or is simply incoherent –i.e., not explainable by a transitive ordering. We present a model of rational inattention & unawareness to account for these incoherencies or 'reversals'. Deciders are expected utility maximizers whose beliefs depend on the information or data they have in mind. Importantly, some of that data can be (randomly) omitted or 'forgotten', thus shaping beliefs at the moment of choice. Deciders affect the probability of omitting by allocating a fixed attention budget to the data. The model predicts (1) those with a larger attention budget will make less incoherent choices, (2) people focus on data that is 'important', i.e., omission of which leads to 'bad' choices; (3) ceteris paribus, people focus on unfamiliar data. These predictions are applied to a classical preference reversal experiment, using eye-tracking techniques to measure attention directly. Results partially support the model: (1) those who make reversals pay significantly less attention to the problem than those who are consistent people, (2) overall, subjects focus more on (unfamiliar) probabilities than on prizes. Yet we do not observe a correlation between choices and attention, e.g., subjects who choose a bet with a large probability of winning a small prize do not focus relatively more on that probability.

15.50-16.15

Speaker: Wanqing Zhang – Tilburg University
Additional Authors: Elena Cettolin, Patricio S. Dalton & Willem J. Kop,

Cortisol Meets GARP: The Effect of Stress on Economic Rationality

Rationality is a fundamental pillar of Economics. It is however unclear if this assumption holds when decisions are made under stress. To answer this question, we design a laboratory experiment where we randomly induce stress in participants and test the consistency of their choices with economic rationality. Participants assigned to the stress group are asked to immerse their dominant hand into a bucket with ice-cold water. Participants assigned to a placebo group are asked to do the same but are given a bucket with lukewarm water instead. To measure the stress levels, we assess the concentration of cortisol in saliva. Economic rationality was measured by the consistency of participants' choices with the Generalized Axiom of Revealed Preference (GARP). We find that participants exposed to the stress manipulation experienced a significant increase in cortisol levels compared to those in the placebo group. However, differences in cortisol levels did not affect the rationality of choices. Participant choices are highly consistent with economic rationality, even under high stress. Our findings provide strong empirical support for the robustness of the economic rationality assumption.

16.15-16.40

Speaker: Leigh Caldwell – Irrational Agency

Reinforcement learning made me irrational

A rational agent will not pursue a goal they know to be non-rewarding. Yet there are many examples (Schelling 1985, Loewenstein 2007) of people pursuing goals that can provide no direct reward, and indeed sometimes produce pain.

In this paper I present a new experimental paradigm in which human participants are trained to value objects that they know not to produce reward. The experiment involves a videogame-like interface in which participants acquire tokens; these in turn permit acquisition of further tokens, and so on until a monetary reward is produced. Even when they know no further monetary rewards are available, participants still place a higher value on tokens which previously had monetary value.

This phenomenon can be explained by a model combining reinforcement learning (Dayan and Berridge 2014), predictive maps and causal reasoning (Stachenfeld 2017; Sloman and Lagnado 2014) and bounded cognitive hierarchy models (Camerer et al 2004; Strzalecki 2014). The model predicts that people will learn symbolic states and continue to value them even when they have no directly rewarding properties. It explains phenomena observed in real economies, as well as offering a parsimonious explanation for behaviours in certain economic games.

The model also provides a foundation for belief-based utility (Loewenstein and Molnar 2018) which in turn has been proposed as an explanation of many other economic phenomena. It could also enable prospection, proposed as a decision-making mechanism (Pezzulo and Rigoli 2011) that might form a third 'system' of thinking alongside Stanovich and West's systems 1 and 2.

Poster presentations – Abstracts

1. Hannes Rosenbusch – Tilburg University

Differentiating trust from gullibility through empirical language profiles
Additional Authors: Anthony M. Evans & Marcel Zeelenberg
Are high-trust individuals gullible and more likely to be fooled, or are there distinct correlates of dispositional trust and gullibility? Prior research has suggested that there might be important factors that distinguish trust and gullibility; however, prior work has not directly compared the correlates of trust and gullibility. In order to examine the cognitive and affective processes underlying dispositional trust and gullibility, we employ a comparative analysis of the linguistic cues associated with each trait. We correlate psychological scale measurements of both traits to participants' language patterns on Twitter (N = 400). Results show that high-trust individuals use relatively analytical language, whereas gullible people use relatively little analytical language. Conversely, gullible people score high on authenticity, while trusting people score low on authenticity. Further, trust correlates with a range of positive emotions, while gullibility does not. We discuss the implications for our understanding of trust and gullibility, as well as privacy risks for gullible and trusting people in the online world.

2. Henrik Zaunbrecher – Maastricht University

Income Trajectories and Redistribution Decisions
Additional Author: Nickolas Gagnon
Aversion to disadvantageous income inequality has a considerable impact on redistribution decisions (e.g., Fehr and Schmidt (1999), Bolton and Ockenfels (2000)). However, there exist many possible sources of comparison besides incomes. For instance, because earnings evolve over time, inequality needs not be constant: it often arises or is exacerbated through differences in income trajectories. In this context, an individual can compare her earnings to her own past earnings, which is reflected in her absolute income trend. Similarly, she can also be concerned with her relative income trend, which is her trajectory compared to others' trajectories. If an individual is averse to a negative (absolute or relative) income trend, she could support redistributive policies that compensate her for the downward trajectory or rectify it, not only to modify income inequality. To investigate this possibility, we conduct a laboratory experiment to analyze the causal impact on redistribution decisions of (1) a negative absolute income trajectory, and (2) a negative income trajectory relative to others'. Our experiment tests an additional explanation regarding why, for example, workers whose earnings decrease or stagnate over time, could support public policies that promise to increase their earnings at the cost of others, such as immigration restrictions and sectors protectionism.

3. Rabia Kodapanakkal – Tilburg University

Moral acceptability and willingness to adopt technologies using big data
Additional Authors: Mark J. Brandt, Christoph Kogler, & Ilja van Beest
The swift increase in the availability of data has led to the development of new technologies ranging from tracking potential consumers to tracking criminal suspects. Although big data has benefits, it can violate people's conventional sense of privacy and fairness. The moral ambiguity of big data use presents a situation where competing moral values and preferences are pitted against each other, and people make tradeoffs depending on what they value. In the present study, we explored whether the factors outcome favorability, data sharing, and data protection play a role in how people morally evaluate the use of big data. We found that people valued outcome favorability and data protection the most. The dominating factor between the two depended on the domain. For example, in the healthcare sector, people valued outcomes (saving lives) more than data protection, while in the banking sector, people cared more about data protection than a favorable outcome (receiving discounts). In all domains, people preferred if their data was not shared with any other parties. Additionally, overall moral acceptability of the technology was positively correlated to its adoption. With the exception of the medical sector, people responded feeling angry, scared, and creeped out by the technologies. People rated lower moral acceptability when they felt creeped out or angry against a technology and rated it more morally acceptable when they were grateful for a technology. These results provide an

initial understanding of how morally acceptable people find these technologies and how willing they are to adopt these technologies.

4. Emir Efendic – Eindhoven University of Technology

The need for speed: differential impact of decision speed on human vs. algorithm-provided predictions

Additional Author: Philippe van de Calseyde, Rob, Basten, & Anthony Evans

People increasingly receive advice and recommendations from sophisticated algorithms which they tend to ignore or find to be lacking in quality. This is in spite of the fact that output provided by algorithms is often of superior quality. This "algorithm aversion" generates an important task of understanding how to increase trust in algorithms and more closely probe the interactions between humans and algorithms. Concurrently, advice can vary in the speed in which it is provided, but it is still unclear how this cue of decision speed can impact trust. Furthermore, it remains to be seen whether people perceive and interpret the same cues like decision speed, in the same way when interacting with humans and algorithms. This project aimed to answer these questions finding that the speed in which advice is received, differentially impacts evaluations of the accuracy of this advice, dependent on whether it came from another human or an algorithm. Specifically, we find that slow, compared to fast advice, is considered as more accurate when coming from a human, with the reverse being observed for advice coming from an algorithm. In addition, we also show that people are less likely to ignore an algorithm's advice when it is received fast compared to slow, thereby also decreasing algorithm aversion. The findings carry weight for important assumptions on anthropomorphization of non-human machines, the effect of decision speed in advice receptivity, and algorithm aversion.

5. Lènka Fiala – Tilburg University

Academic Debating: Improving student performance one speech at a time

In the era of fake news, I study an intervention to improve students' media literacy in the sense of students being able to identify and critically discuss controversial statements, provide reasons and arguments to support their views, and demonstrate they understand what could be fact-checked (and how). Specifically, I introduce academic debating in a competitive format into high school curricula, and study the effect on a standardized critical-thinking test as well as a tailor made 'fake news test'. Most importantly, I show that students who expressed the most extreme views on a given topic before the treatment were most affected: they show more deliberation on the fake news test. No effect on general critical-thinking is found.

6. Anouk Festjens – Maastricht University

How does temptation affect the value and probability weighting functions?

Does exposure to temptation increase the extent to which consumers take risk? Previous literature on this topic is mixed. Some studies show that exposure to tempting cues leads to risk seeking as it increases the value of the associated temptations to such an extent that consumers are willing to bear the accompanied risks. Other studies show that exposure to tempting cues leads to risk aversion as it increases consumers' willingness to maximize the probability of getting at least something.

We contributes to this debate by meticulously teasing apart the two components of risk preferences (i.e., prospect theory's value and probability weighting functions) and by testing how exposure to temptation influences both of them. We conducted a lab experiment where we manipulated exposure to temptation (i.e., the aroma of chocolate cookies) and elicited the certainty equivalents of a series of two outcome gambles.

The raw data (i.e., certainty equivalents) reveal that exposure to temptation leads to more risk aversion for both gains and losses. The model fittings reveal that whereas temptation increases the attractiveness of potential gains (a source contributing to risk seeking), it simultaneously leads to a pessimistic weighing of the probability to gain (a source contributing to risk aversion). Thus, temptation seems to influence the underlying risk components for gains in opposite directions. Furthermore, temptation does not affect the value of potential losses, but it leads to a pessimistic weighing of the probability to lose (a source contributing to risk aversion).

7. Andreea Victoria Popescu – Tilburg University / Arizona University

Contagion and return predictability in experimental asset markets

Additional Authors: Charles Noussair

We investigate the time-series and cross-sectional predictions of the 'Two-trees' asset pricing model developed by Cochrane, Longstaff and Santa-Clara (2008) in a stationary, infinity horizon experimental setting with two fixed positive net supply assets. In line with the predictions of the model, we find contagion between two risky assets even when their fundamentals are not correlated.

8. Nurmukhammad Yusupov - Solbridge International School of Business

Optimism, Pessimism and Entrepreneurship.

Additional Authors: Muzaffar Ahunov

A popular explanation for excessive entry into self-employment is that many entrepreneurial entry decisions are mistakes driven by behavioral anomalies, such as optimistic biases in expectations about future outcomes .

Using data from South Korea, we find evidence that entrepreneurial entry is significantly likely to be observed among the pessimistically biased individuals as well. We conjecture that this may be related to different motivations for self-employment – some choose to run their businesses out of necessity because of lack of acceptable alternatives while others detect profitable business opportunities. Indeed, there is evidence in our data that supports our conjecture. Specifically, we document that pessimistic entrepreneurs are more risk averse than their optimistic counterparts. Also, the pessimistic entrepreneurs are more likely to report being overqualified for their jobs.

Our results contributes the recent literature on entrepreneurship, suggesting that selection into self-employment may come from both tails of the distributions. For example, Elfenbain et al. (2010) document that entrepreneurs tend to come from the highest as well as the lowest two deciles in pre-entrepreneurship wage distribution. Åstebro et al. (2011) find that self-employed stem from the tails of ability mismatch distribution, i.e. those who believe they are substantially better than their job requirements as well as the underqualified ones. According to Poschke (2013), entrepreneurship rates are highest for people with high and low levels of education.

Our paper, to our knowledge, is the first study documenting U-shaped relationship between pessimistic/optimistic biases and likelihood of entrepreneurial entry.

9. Manwei Liu – Tilburg University

The relativity of image in moral decision-making

People are concerned with their image when engaged in moral decision-making. This study examines the relativity of image, which describes the process that involves social comparison in relative to a reference point by which people get to understand and judge others. The relativity of image implies that seemingly independent moral decisions can be interdependent in social context since one's behavior exerts externality on others' image. I conduct lab experiments to test whether the relativity of image is displayed in moral judgments.

10. Ravit Rubinstein-Levi – Ben Gurion University of the Negev

Decision-Making in Defined Contribution Pension Plans

Defined Contribution (DC) pension plans are implemented in a growing number of OECD countries and require employees to proactively manage their pension savings. However, studies indicate that most employees avoid making decisions regarding their pension savings. The outcome is wide-ranging and severe poverty among retirees. In this study I analyze Israeli data of four field studies among over 1,500 subjects, together with the social survey data of the Central Bureau of Statistics (CBS). My goal is to find a way to motivate employees to make decisions that are tailored to their needs and preferences and manage their pension savings more proactively accordingly, by receiving professional counseling. I find that most employees prefer to receive pension advice from a state counselor, compared with pension counselor who is not on behalf of the state. It seems that the lack of knowledge among most employees regarding their pension savings, which is accompanied by their awareness of the importance of pension savings management, causes them to resort to "government protection". Most employees indicate the state as the main factor responsible for ensuring retirees a reasonable standard of living after retirement and believe that it is very important to establish an objective governmental entity that will supervise pension plans.

11. Anna Katharina Spälti - Tilburg University

Expected Consequences of Expressing Doubt

Additional Author: Mark J. Brandt, Anthony M. Evans, & Marcel Zeelenberg, MZ

It is not uncommon for people to experience doubts about their choices. But, how often do people share these doubts with others and, if so, why? In a preregistered exploratory study (N = 380), we assess how often doubt about difficult and important decisions is shared and the perceived consequences of sharing doubt (i.e., social functions, learning functions, and interpersonal evaluations). We find that 65% of our sample shared their doubts with others, showing that doubt expression is a common phenomenon. Participants who shared their doubts reported higher levels of doubt about their decision than those who did not. Those who shared doubts expected to learn from sharing their doubts and to receive social benefits. Finally, participants who shared their doubts expected to be viewed as more competent in the eyes of others, while those who did not share doubts did not expect any changes in perceived competence. Sharing doubt had no effects on warmth or morality perceptions. Our findings suggest that sharing doubt is perceived (by sharers) to be beneficial. Two plausible explanations emerge which should be explored in future research: 1) People who share doubt because they expect to receive positive feedback from others, or 2) they attribute benefits to expressing doubt as a post-hoc self-justification for their sharing behavior.

12. Xinyu Li – University of Groningen

Switching Stance, Who Cares

Politicians are unwilling to change their stances on some issues even when it is tempting. Because they worry that changing stance will be seen as a kind of opportunistic behavior by median voters. Nobody likes opportunistic politicians. Observing the opportunistic behavior, median voters may reduce their trust in the politicians. Even though many politicians believe this argument, there are little direct evidence to support it. We test this argument in controlled lab experiments. There are a politician and a median voter in our experiment. The politician first states her stance on an issue of sport club or abortion, then she has a chance to switch her stance. If she does switch, she will earn some additional money. Her decision on the stance switching does not affect the voter's payoff. After this decision, she as a trustee plays a trust game with the voter. In the baseline, the voter has no chance to learn whether the politician switched her stance. In the treatment, the voter knows whether the politician switched her stance but does not know from which to which. We find that politicians switch significantly less when they know their decisions will be learned by voters. However, no matter politicians switched their stances or not, voters give them the same trust. In summary, politicians believe that median voters dislike politicians who switch stances for additional benefits. But median voters do not care whether politicians switch stances or not.

13. Joeri Wissink - Tilburg University

Two replications of the Strength-is-Weakness effect in coalition formation using Internet Coalitions: a novel tool for online synchronous coalition formation research.

Additional Authors: Ilja van Beest, Tila Pronk & Niels van de Ven

A key observation in coalition formation research is the finding that bargainers who have the most resources are often excluded from coalitions; an observation dubbed the Strength-is-Weakness effect. A possible explanation for the effect is that coalition bargainers rely on allocation rules rooted in concerns for equity; bargainers with more resources (are expected to) demand a larger share of the outcomes of the coalition than bargainers with fewer resources. Previous research into the Strength-is-Weakness effect has suffered from three main issues. First, previous studies often relied on experimenter intervention, allowing for experimenter bias. Second, as coalition formation settings inherently contain more than two participants per observation, sample size have often been small. Third and final, previous studies have often used no incentive scheme or tournament incentives—possibly leading to less thoughtful or more competitive bargaining respectively—which might confound results. We addressed these issues with two preregistered and piece-rate incentivized replications using Internet coalitions: a novel online interactive coalition game which allowed us to collect data both in a standard psychology lab setting and on Amazon Mechanical Turk (AMT). Results from both studies show a clear replication of the Strength-is-Weakness effect. Moreover, we find evidence for concerns for equity as a (partial) cause of the effect. Importantly, despite methodological differences, results from both samples are highly similar. Although the AMT study suffered from more participant attrition than the lab study, we demonstrate that Internet Coalitions is a viable tool for conducting online synchronous coalition formation research with a large sample.

14. Karlijn Hoyer - Tilburg University

Does uncertainty breed greed?

Additional Authors: Terri Seuntjens, Seger Breugelmans & Marcel Zeelenberg

When does greed influence economic decisions the most? It has been argued that greed ultimately is rooted in uncertainty about access to future resources and that throughout evolution the greedy trait flourished in times of resource scarcity (Krekels, 2015). Dispositional greed is related to selfish choices in various economic games (Seuntjens et. al., 2015). A first study (N = 450) examines whether uncertainty makes people rely more on their greedy inclinations when making economic decisions. As expected, we found that people scoring higher on the dispositional greed scale allocated more tokens to themselves in a dictator game, but we did not find an effect of uncertainty neither an interaction effect between uncertainty and dispositional greed. In a follow-up study we will replicate this with another manipulation of uncertainty.

15. Jessica Exton - ING

"Piggy-Banking" on Friends: Finding sub-optimal lending among peers

Additional Authors: Laura Straeter

Social norms of mutual and altruistic care govern friendships and steer daily interactions among close peers (Clark & Mills, 2011; Sawyer, 1966), such as small informal loans. Indeed it's common for friends to cover the cost of dinner or a movie. However lending among friends comes with risk. Lending potentially monetizes friendships, damaging social ties (McGraw & Tetlock, 2005).

In this study we examine the informal lending market among friends. Relationship theories (Clark & Mills, 2011) suggest that friendships revolve around social instead of economic norms and consequently friends are hesitant to enter into too many financial transactions. We reveal however, that this is a two-sided story. The social norms in friendships cause us to care and to form specific expectations of lending between close others. Within financial arrangements, the role of friends are differentiated to that of the lender and the borrower. Lenders can altruistically care and meet social expectations by supporting a friend. In contrast, borrowers entering into a debt arrangement place a financial burden on their friend, misaligning with social norms and creating discomfort. Therefore we believe that lenders are more willing to lend to a friend than borrowers are willing to borrow.

Our findings confirm the predicted gap between lenders and borrowers willingness to enter into a lending arrangement. This gap widens with larger emphasis on economic transactions (i.e. a history of borrowing requests). These findings have implications for technological advancements that enable further utilisation of the informal lending market. After all, friends don't optimally exploit this market.

16. Iris Ikink – Radboud University

The role of time ambiguity in intertemporal choice

Additional Authors: Jan B. Engelmann, Wouter van den Bos, Karin Roelofs, Bernd Figner

Although time-ambiguity (i.e., uncertainty about when an outcome will occur) is ubiquitous in real-life, its behavioral and neural effects remain unknown. In our first study, we developed a novel intertemporal fMRI choice task in which participants (N=24) made choices between sooner-smaller (SS) versus later-larger (LL) monetary rewards with time-ambiguity placed on the SS, LL, both, or neither (e.g., a SS in 5 weeks or in 1-9 weeks). Overall, participants preferred options with exact delays over those with ambiguous delays, displaying time-ambiguity aversion. Presence (versus absence) of time-ambiguity was associated with increased intraparietal sulcus and decreased ventromedial prefrontal cortex activation, and individual time-ambiguity preferences positively modulated dorsolateral prefrontal cortex and insula activation during subjective value (SV)-coding. Lastly, computational choice-models suggest that ambiguity impacts the SV of options via time perception or an additive ambiguity-related penalty term. In a second, online study (preregistered onhttps://osf.io/rhau2/), we aimed to replicate the time-ambiguity effect and additionally investigate possible time-ambiguity interactions. Participants (N=227) made hypothetical choices between a fixed SS and a LL that systematically varied in level of time-ambiguity, amount, and delay. We replicated the time-ambiguity aversion effect for longer (90/180 days) but not shorter (2/10/30 days) delays. Furthermore, time-ambiguity was less aversive when the ambiguous LL option could be received today (e.g., 0-20 days) versus when not (e.g., 20-40 days). Currently, we work on computational choice-models. In conclusion, these studies provide the first behavioral and neural evidence of ambiguity aversion in the time domain, which likely contributes to shortsighted decisions beyond delay discounting.

17. Liudmila Galiullina – Maastricht University

Grading effects on student effort: the role of targets, beliefs, and explanatory styles

I study grading effects on the students' academic achievement in a two-period behavioral economics model. The student's utility function is assumed to decline with effort, and have a positive jump when the student achieves their grade target. The optimal choice of study effort in the first period depends on the student's target grade, on its importance to the student, and on their prior beliefs about returns to their ability and effort. Having obtained grades from the first study period, the student can attribute an unexpected success or failure either to unstable (luck, health) or stable factors; in the latter case either internally (ability), or externally (grading strictness). This means that the student has to update their prior beliefs about their ability and/or return to effort, and choose the optimal second-period effort accordingly. The model predicts several types of grading effects on study behavior. Notably, no matter whether the student attributes academic success or failure to stable or unstable factors, higher initial grades, ceteris paribus, lead to lower (or at least not higher) future effort; the only exception to this negative grading effect is a dramatic discontinuous jump from zero to maximum effort occurring when the student switches from the "giving up" regime (originating from the extremely low initial grades) to the grade-seeking one. I derive practical implications from these findings.

18. Jantsje Mol – Vrije Universiteit Amsterdam

Individual determinants of self-insurance among homeowners with(out) disaster risk insurance

Additional Authors: Wouter, Botzen & Julia, Blasch

In response to the world-wide growing consequences of flooding, it is important to study flood risk reduction strategies, such as cost-effective self-insurance measures that can be taken by individual homeowners. This study contributes by examining how the financial incentives emanating from insurance compare and interact with the influence of other behavioral motivations for investing in flood risk reduction, among them risk aversion, perceived effectiveness of risk reduction measures and worry of flooding. A large online lab-in-the-field experiment among homeowners in floodplains (N=2000) in the Netherlands will demonstrate the effects of individual variables on damage reducing decisions of relevant decision-makers. Respondents will play a short flood risk investment game embedded in a survey. A between-subject design with different insurance (none vs. voluntary vs. mandatory) and incentive (baseline vs. premium discount) treatments is applied to the game. The impact of financial incentives may differ between the self-selected and the mandatory insured policyholders, which is nearly impossible to test with field data. The results could be used by policymakers to stimulate self-insurance under different (flood risk) insurance schemes.

Notes