Stretching Behavioral Economics

Annual Conference

Society for the Advancement of Behavioral Economics

July 21-July 24, 2014

Harvey’s Lake Tahoe
Schedule

Monday, July 21, 2014

7:30-9:30 Conference Check-In and Reception; Tallac Room

Tuesday, July 22 (First Full Day of Conference)

7:00-8:30 Breakfast (Pre-Function Area)
Registration and Help Desk (Pre-Function Area)

8:30-8:45 Welcome (Emerald Bay B)

8:45-10:00 Plenary Session (Emerald Bay B)

Paul Zak, Claremont University, USA paul@neuroeconomicstudies.org

Neuroeconomics: Putting Humans at the Center of Economics.

Economics is a social science, but we have largely ignored what it means to be human and social. In this talk, Paul Zak reviews ten years of findings from neuroeconomics that have put human beings at the center of the study of economics. These studies have revealed new insights into how human beings make decisions, rather than how homo economicus does. In this way, neuroeconomics has returned human beings to the center of economics and provides a scientific foundation for Economics 2.0.

10:00-10:20 Break 1 (Pre-Function Area)

10:20-12:00 General Session I (Various Locations)

12:00-1:20 Lunch (Conference participants are on their own to try any of the good restaurant options either at the conference hotel or a one of the many other options within walking distance.)

Neuroeconomics and Bioeconomics Brown Bag (Emerald 4): At 12:30 Gideon Nave will speak briefly about research opportunities in Neuro and Bio Economics. He will then be available to discuss ideas you may have about extending your research into these areas. Get your lunch, bring it to Emerald 4, and learn.

SABE Board Meeting: Tahoe Boardroom

1:20-3:00 General Session II (Various Locations)

3:00-3:20 Break 2 (Pre-Function Area)

3:20-5:00 General Session III (Various Locations)

5:00-6:00 Young Scholar Poster Session: (Pre-Function Area)

6:00-7:00 SABE General Assembly Meeting (Emerald Bay B)
Wednesday, July 23 (Second Full Day of Conference)

7:00-8:20  **Breakfast**: (Pre-Function Area)
           Registration and Help Desk: (Pre-Function Area)

8:20-10:00  **General Session IV** (Various Locations)

10:00-10:20  Break 3 (Pre-Function Area)

10:20-12:00  **General Session V** (Various Locations)

12:00-1:45  **Lunch** and **Herbert Simon Address** (Emerald Bay B)
            **Vernon Smith**, Chapman University, USA  
            vlomaxsmith@gmail.com
            *Rethinking Market Experiments in the Shadow of Recessions: The Good and the Sometimes Ugly*

    In all economic recessions consumer non-durable expenditures are reliably stable, characteristics that have long applied to experimental markets. The supply and demand experiments of the 1960s and 1970s reliably and rapidly converged to the predicted equilibrium. These markets also were for non-durables: all sales were final; items could not be re-traded; subjects each knew their buyer (or seller) role in advance of entering the market. In eleven of the last fourteen U.S. Recessions, new housing expenditure was a leading indicator of decline. Moreover, economic recovery is always associated with housing. The experimental asset markets of the 1980s and 1990s likewise exhibited unexpected tendencies to bubble and crash. The larger the endowments of cash or the greater the inflow of cash, the bigger is the bubble. Similarly, housing bubbles are associated with easy money. In the macroeconomic accounts, re-tradability and cash availability seems to be the key to instability. Recent supply and demand experiments support these hypotheses by examining within-period re-tradability vs not, and low vs high cash endowments.

1:45-6:30  **Free Time**: Enjoy the beauty of the lake, hike, bike, swim, catamaran ride, jet ski, golf, water ski, parasail.

2:00-4:30  **Optional Hiking Outing**: The conference organizers have arranged for a hiking opportunity. These opportunities can be pursued either in lieu of the Tahoe Dinner Cruise or along with the cruise. The hike will start at 2:00PM and leave from the Harvey’s Conference Hotel.
6:00-9:00  **Optional Tahoe Queen Dinner Cruise**
This optional adventure will get you out on Lake Tahoe for roughly 3 hours. You will be picked up at Harvey’s at 5:20 PM for transportation to the boat at Ski Run Marina; 900 Ski Run Blvd; South Lake Tahoe, CA 96150. The cruise will take you west to Emerald Bay and typically includes a beautiful sunset. The buffet dinner offers prime rib and a seafood linguine, with other nice accompaniments and dessert. Live musical entertainment will also be on board. If you have not already booked a spot and want one, you can buy a ticket on your own by going to [https://reservations.ahlsmsworld.com/LakeTahoe/Plan-Your-Trip/Tour-And-Activity-Search/Results](https://reservations.ahlsmsworld.com/LakeTahoe/Plan-Your-Trip/Tour-And-Activity-Search/Results)

**Thursday, July 24 (Final Day of Conference)**

7:00-8:20  **Breakfast:** (Pre-Function Area)
**Registration and Help Desk:** (Pre-Function Area)

8:20-10:00  **General Session VI** (Various Locations)

10:00-10:20  Break 4 (Pre-Function Area)

10:20-12:00  **General Session VII** (Various Locations)

12:00-1:20  **Lunch** (On Your Own)

1:20-3:00  **General Session VIII** (Various Locations)

3:00-3:20  Break 5 (Pre-Function Area)

3:20-5:00  **General Session IX** (Various Locations)

5:30-6:00  Pre-Dinner Mixer (Emerald Bay B)

6:00-7:00  **Dinner** (Emerald Bay B)

7:00-8:15  Concluding **Plenary Talk** (Emerald Bay B)

**Rachel Croson**, University of Texas, Arlington, USA [croson@uta.edu](mailto:croson@uta.edu)

*Behavioral Economics Imperialism*

This presentation describes the growing trend of behavioral economics imperialism; the expansion of methods and findings to domains (far) outside of economics. It provides examples of research in Operations Management, Sociology and Health that draw from and contribute to the study of behavioral economics, and encourages discussion and brainstorming of new domains which could be influenced.

8:15-8:30  Conference Wrap Up (Emerald Bay B)
General Conference Sessions

For each general conference session, the name of the presenter is listed. While many of these presentations are derived from papers with co-authors, the names of co-authors are not listed in the program. Presenters should recognize their co-authors in their presentation. Unless another arrangement is made, it is assumed that the last presenter in a session will chair the session. The general sessions are 100 minutes in length, and the typical session includes four presentations, implying 25 minutes per presenter. Because it is good to allow for some question and answer time, the typical presentation should be 20 minutes, with 5 minutes reserved for question and answer time. Nonetheless, the presenter is given discretion as to how to allocate the total 25 minutes, reserving more question and answer time if desired, or less.

Session I: Tuesday, July 22 10:20-12:00

Session Ia: Neuroeconomics and Bioeconomics (Emerald Bay 4)

Gidi Nave, California Institute of Technology, USA
Perceptual Priors Decoded using the Drift-Diffusion Model Predict Beliefs in an Investment Task

Joel Jeffrey, Northern Illinois University, USA
What Good is Neuroeconomics?

Carlos Cueva, University of Alicante, SPAIN
Acute Cortisol, Rather than Testosterone, Destabilizes Financial Markets

Andreas Friedl, Institute for the World Economy, Kiel University, GERMANY
Adaptation to Payment Scheme Changes: The Effect of Digit Ratio

Session Ib: Behavioral Economics and Improving Health Care (Emerald Bay 5)

Hsu John, Harvard University, USA

Henry Saffer, National Bureau of Economic Research, USA
The Health Gradient and Self-Regulation

Anusua Datta, Philadelphia University, USA
Effects of Physician-Directed Pharmaceutical Promotion on Prescription Behaviors: Longitudinal Evidence

Angela VanBrackle, University of Nevada, Reno, USA and Jenna Hayes, University of Nevada, Reno, USA
Low-Income Caregivers Perceptions of Economic Strain and Its Influence on Childhood Obesity
Session Ic: Stretching the Human Capital Concept (Emerald Bay 6)

John Tomer, Manhattan College, USA
*Integrating Human Capital with Human Development*

Charlotte Phelps, Temple University, USA
*Longitudinal Continuity in Personality and Behavior across Situations*

Christopher Gustafson, University of Nebraska-Lincoln, USA
*Human Capital Investment among Tanzanian Pastoralists*

Maryam Dilmaghani, Saint Mary’s University, CANADA
*Cardinal Utility of Religiosity: Between Economics and Psychology*

Session II: Tuesday, July 22 1:20-3:00

Session IIa: The Evolution and Stability of Group Norms (Emerald Bay 4)

Shinji Teraji, Yamaguchi University, JAPAN
*Evolving Norms*

Gigi Foster, University of New South Wales, AUSTRALIA
*The Role of True Believers in the Development and Stability of Group Norms*

Nancy Haskell, Ohio State University, USA
*The Pull of Popularity: Explaining Conformity in Student Behaviors*

Jia Liu, Nanyang Technological University, SINGAPORE
*Altruistic Punishment in the Face of Direct Externality and Selfish Temptation*

Session IIb: Behavioral Financial Services (Emerald Bay 5)

W. Fred Van Raaij, Tilburg University, Tilburg, and Diederick Van Thiel, Advice Games, Amsterdam, THE NETHERLANDS
*The Future of Financial Advice: Virtual Financial Guardian Angels*

Joerg Weber, University of Nottingham, UNITED KINGDOM
*Financial Literacy and Mortgage Choice*

Antonia Grohmann, Leibniz University Hannover, GERMANY
*Childhood Roots of Financial Literacy*
Session IIc: Evolving Beliefs and Preferences (Emerald Bay 6)

Angela De Oliveira, University of Massachusetts Amherst, USA
Beliefs in Threshold Public Goods

Dimitry Mezhvinsky, Ohio State University, USA
How Will Others Play This Game?: Evolving Beliefs in a Strategy Method Centipede Game

Louis Lévy-Garboua, Université de Paris I and Paris School of Economics Centre d’économie de la Sorbonne (CES), FRANCE
Uncovering Preferences: A Theoretical Framework and an Experiment

Adam Sanjurjo, Universidad de Alicante, SPAIN
Response Functions

Session III: Tuesday, July 22 3:20-5:00

Session IIIa: Science of Philanthropy Initiative I---Experiments on Social Preferences (Emerald Bay 4)

Alex Imas, Carnegie Mellon University, USA
Prosocial Incentives: Limits and Benefits of Working for Others

Urmimala Sen, Georgia State University, USA
Caste, Efficiency and Fairness with Public Goods and Common Pool Resources

Maria Recalde, Pittsburgh University, USA
Intuitive Generosity and Error Prone Inference from Response Time

Sherry Li, University of Texas---Dallas, USA
Common Identity and the Voluntary Provision of Public Goods: An Experimental Investigation

Session IIIb: X-Inefficiency, Irrationality, and Behavioral Microeconomics (Emerald Bay 5)

Morris Altman, Victoria University of Wellington, NEW ZEALAND and Univeristy of Saskatchewan, CANADA
Exchange Rates, Protection, and Economic (X)-Inefficiency

Roger Frantz, San Diego State University, USA
Rationality, Globalization, and X-Efficiency

Bruce Kaufman, Georgia State University, USA
A Behavioral Economics Explanation for the Zero Employment Effect of a Minimum Wage

Neil Bendle, Western University, CANADA
Rationality and Delivering Value to Female Customers
Session IIIc:  Young Researcher Workshop Session 3--- Stock Market and Labor Market Applications of Behavioral Economics (Emerald Bay 6)

Dimitra Papadovasilaki, University of Nevada, Reno, USA
*The Effect of Early and Salient Investment Experiences on Subsequent Economic Behavior: An Experimental Study*

Yun Pu, Ohio State University, USA
*Wage Rate and Deposit Effects on Leisure: A Stock Market Empirical Approach*

Dong-Jin Pyo, Iowa State University, USA
*A Multi-factor Model of Heterogeneous Traders in a Dynamic Stock Market*

Ying Yang, University of Houston, USA
*Unfairness in Key Account Sales Teams: A Behavioral Exploration*

Katharina Hilken, Vrije Universiteit Brussel, BELGIUM
*Strategically Influencing Expectations: Endogenous Reference Points in Contracts*

Bjoern Hartig, University of London, UNITED KINGDOM
*A Welfare-Tradeoff-Ratio Model of Other-Regarding Preferences*

Session IV: Wednesday, July 23 8:20-10:00

Session IVa  Empathy and the Economic Process (Emerald Bay 4)

Gary Lynne, University of Nebraska, Lincoln, USA
*Empathy Conservation: Toward Avoiding the Tragedy of the Commons*

Gerald Cory, San Jose State University, USA and Mikel Duffy, International Technological University, USA
*Empathy in the Structure and Behavior of Economics*

Fei (Sophie) Yin, Foshan University, CHINA
*Empathy and Self-interest as expressed in Chinese Corporations*

Yau Gene Chan, International Technological University, USA  *Discussant*
Session IVb: Social Interaction, Social Preferences, and Cooperation (Emerald Bay 5)

Tim Cason, Purdue University, USA  
*Identity and Coordination in the Inter-Group Prisoner’s Dilemma*

Sarah Jacobson, Williams College, USA  
*When Do Punishment Institutions Work?*

Romain Jourdheuil, Université Montesquieu-Bordeaux IV, FRANCE  
*Social Preferences and Moral Emotions: The Role of Gratitude in Promoting Rewards and Cooperation*

Rudy Santore, University of Tennessee, USA  
*Do Colluders Care About Consumers? Other-Regarding Preferences and Product Market Competition*

Session IVc: The Impacts of Relative Thinking and Social Comparison (Emerald Bay 6)

Xianghong (Shirley) Wang, Renmin University, CHINA  
*Impact of Relative Income on Giving Behavior*

Ofer Azar, Ben-Gurion University of the Negev, ISRAEL  
*Relative Thinking with Substitute Goods: Does it Exist with Real Choices?*

Darryl Seale, University of Nevada---Las Vegas, USA  
*Sequential Observation and Selection by Committee: Theory and Experimental Evidence*

Session IVd: Experimental Examinations of Varying Feedback (Emerald Bay B)

Yaron Lahav, Ben-Gurion University of the Negev, ISRAEL  
*Rockets and Feathers in Gas Markets: An Experiment*

Svetlana Pevnitskaya, Florida State University  
*The Effect of Feedback in Charity Auctions*

Gigi Foster, University of New South Wales, AUSTRALIA  
*Is Good Fortune a Tradable Asset? Further Experimental Evidence on the Economic Value of Luck*

Antoine Nebout, INRA-ALISS, FRANCE  
*Probability Weighting in Recursive Evaluation of Two-stage Prospects*
Session V: Wednesday, July 23 10:20-12:00

Session Va: Science of Philanthropy Initiative II--- Improving "The Ask", Experimental Evidence from Charitable Fundraising (Emerald Bay 4)

Ragan Petrie, George Mason University, USA
*Fundraising through Online Social Networks: A field experiment on Peer-to-Peer Solicitation*

Erte Xiao, Carnegie Mellon, USA
*Sign me up! A model and Field Experiment on Volunteering*

David Klinowski, Pittsburgh University, USA
*How genuine is our generosity? Using social information to discover why people give to charity*

Anya Samek, University of Wisconsin-Madison, USA
*How do Suggested Donations Affect Charitable Gifts? Evidence from a Field Experiment in Public Broadcasting*

Session Vb: The Personality Continuum and Consumer Behavior (Emerald Bay 5)

Paul Albanese, Kent State University
*The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion*

Gerrit Antonides, Wageningen University, THE NETHERLANDS
*Panelist: The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion*

W. Fred Van Raaij, Tilburg University, THE NETHERLANDS
*Panelist: The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion*
Session Vc: Young Researcher Workshop Session 4---Expanding Utility Theory and Applications to Environmental Issues (Emerald Bay 6)

Garret Ridinger, University of California, Irvine, USA
*Intentions and Cooperation: Cooperation and Fairness in a Sequential Prisoner's Dilemma with Nature*

Maren Tonn, University of Erlangen-Nuremberg, GERMANY
*Division of the Tax Burden in Investment Settings*

Rattaphon Wuthsatian, University of Nevada, Reno, USA
*Social Preferences in the Trust Game: Theory and Experiment*

Sahra Sakha, University of Hanover, GERMANY
*Risk Aversion Over Time: Experimental Evidence*

Hyeon Park, Manhattan College, USA
*Pro-environmental Behavior and Demand for Green Products*

Dilek Uz, University of California, Berkeley, USA
*Impact of Irrigation Water Salinity on Crop Choice: The Case of the Bay Delta*

Session VI: Thursday, July 24 8:20-10:00

Session VIa: Behavioral Finance---Saving and Investing Decisions (Emerald Bay 4)

Gerrit Antonides, Wageningen University, THE NETHERLANDS
*Survey Evidence of Diversification*

Christoph Merkle, University of Mannheim, GERMANY
*Financial Loss Aversion Illusion*

David Sinyard, University of North Georgia and Corporate Finance Associates, USA
*The Role of Affect in Investment Decisions: An Analysis of Private Equity Groups*

Scott Findley, Utah State University, USA
*Time Inconsistency and Retirement Choice*
Session VIb: Extending Economics by Extending Behavioral Economics (Emerald Bay 5)

Barkley Rosser, James Madison University, USA  
*Complexity and Behavioral Economics*

Hendrick Van den Berg, University of Nebraska, USA and Matthew Van den Berg, American University, USA  
*The Failed Microfoundations of Mainstream Macroeconomics: Why Not Build on More Accurate Psychological Foundations?*

Shankar Thapa, Lincoln University, USA  
*Measuring Non-monetary Component of Value in the approach of General Value*

Tom Adi, Readware Institute, USA and Gaylene Nevers Evans Business Consulting, USA  
*A Consumer Choice Theory Incorporating Behavioral and Spiritual Wisdom*

Session VIc: Norm Formation and Belief Formation (Emerald Bay 6)

Avner Ben-Ner, University of Minnesota, USA  
*Social Preferences and Parental Influence in Preschoolers*

Erik Kimbrough, Simon Fraser University, CANADA  
*Norm-Dependent Utility in Games*

Stefan Penczynski, University of Mannheim, GERMANY  
*Conditional Reasoning and Belief Formation in Auction Games*

Lukinova Evgeniya, Skolkovo Institute of Science and Technology, RUSSIA and Mikhail Myagkov, Skolkovo Institute of Science and Technology, RUSSIA  
*Inequity Aversion Alters Risk Attitudes*

Session VII: Thursday, July 24 10:20-12:00

Session VIIa: Behavioral Public Finance (Emerald Bay 4)

Denvile Duncan, Indiana University, USA and IZA, GERMANY  
*Tax Incidence in the Presence of Tax Evasion: Experimental Evidence*

Seth Giertz, University of Nebraska-Lincoln, USA  
*Behavioral Responses to Taxation: Policy Uncertainty and Rent Seeking by Firms and CEOs*

Andrew Hanks, Cornell University, USA  
*The Case of Unintended Consequences: Why Understanding Consumer Behavior is Essential for Policy Makers*

Mehmet Tosun, University of Nevada, Reno, USA  
*Sales Tax Salience for Different Price Levels*
Session VIIb: Behavioral Impacts of Framing and Available Information (Emerald Bay 5)

**Brock Stoddard**, University of South Dakota, USA  
*Framing and Feedback in Social Dilemmas with Partners and Strangers*

**Omar Asensio**, University of California, Los Angeles, USA  
*The Dynamics of Framing Interventions: The Case of Energy Conservation Behavior*

**Timothy Shields**, Chapman University, USA  
*Limitations to Signaling Trust with All-Or-Nothing Investments*

**Maren Tonn**, University of Erlangen-Nuremberg, GERMANY  
*Cooperation under Incomplete Information: An Experimental Investigation*

Session VIIc: Risk and Ambiguity (Emerald Bay 6)

**Alice Wieland**, University of Nevada, Reno, USA  
*Gender and risk aversion: If, When and Why?*

**Svetlana Pevnitskaya**, Florida State University  
*Separating Risk Preferences from Ambiguity Preferences*

**Laetitia Placido**, City University of New York, USA  
*Testing for Constant Absolute and Relative Ambiguity Aversion*

**Mark Pingle**, University of Nevada, Reno, USA  
*Why Do Gamblers Buy Insurance?---An Ambiguous Explanation*

Session VIII: Thursday, July 24 1:20-3:00

Session VIIIa: Behavioral Economics of the Household (Emerald Bay 4)

**John Tomer**, Manhattan College, USA  
*Adverse Childhood Experiences, Poverty and Inequality: Toward an Understanding of the Connections and the Cures*

**Oana Tocoian**, Claremont McKenna College, USA  
*Economic Conditions and Fertility Rates*

**Maria Piotrowska**, Wroclaw University of Economics, POLAND  
*Dimensions of Household Economic Security*

**Shoshana Grossbard**, San Diego State University, USA  
*Common Law Marriage, Couple Formation, and Marriage*
Session VIIb: Decision-Making Maladies---Overconfidence, Time Inconsistency, Hot Hand Fallacy (Emerald Bay 5)

Linda Thunstrom, University of Wyoming, USA  
*Certainty and Overconfidence in Future Preferences*

Scott Findley, Utah State University, USA  
*Is Overconfidence a Macroeconomic Virtue?*

Léa Bousquet, Paris School of Economics, FRANCE  
Measuring time inconsistency and naivety with monetary rewards

Joshua Miller, University Via Roentgen, ITALY  
*A Cold Shower for the Hot Hand Fallacy*

Session VIIIc: The Dynamics of Language, Communication, and Diversity (Emerald Bay 6)

David Johnson, University of Calgary, CANADA  
*F&%@ You Very Much! Monetary Efficiency Gains through Responder Feedback*

Jose-Ramon Uriarte, University of the Basque Country, SPAIN  
*The Economics of "Why is it so Hard to Save a Threatened Language?"

Dai Zusai, Temple University, USA  
*An Evolutionary Dynamic Model on Assimilation and Segregation*

Avner Ben-Ner, University of Minnesota, USA  
*Empirical Evidence on Diversity and Performance in Teams: The Role of Task Focus, Status and Tenure*

Session IX: Thursday, July 24 3:20-5:00

Session IXa: Pay for Performance Incentives (Emerald Bay 4)

Jeanne Wendel, University of Nevada, Reno, USA  
*The Effects of Pay for Performance on Physician Productivity*

Katharina Hilken, Vrije Universiteit Brussel, BELGIUM  
*The Effect of Extrinsic Motives on Non-economic Motives: A Real Effort Experiment*

Angela De Oliveira, University of Massachusetts Amherst, USA  
*Reward the Lucky*

Joaquín Gómez-Miñambres, Bucknell University and Economic Science Institute at Chapman University, USA  
*Goal Setting and Monetary Incentives: When Large Stakes Are Not Enough*
Session IXb: Asset Portfolios and Behavioral Economics (Emerald Bay 5)

Andreanne Tremblay, York University, CANADA and Ming Dong, York University, CANADA
Does the Weather Influence Global Stock Returns?

James Feigenbaum, Utah State University, USA
Optimal Decumulation of Assets in General Equilibrium

Alessandro Bucciol, University of Verona, ITALY and Netspar
Household Portfolios and Personality Traits

Sameh Habib, University of California, Santa Cruz, USA
Risk Elicitation and Portfolio Allocation: The Effect of Market Environment

Session IXc: Subtle Behavioral Issues (Emerald Bay 6)

Christopher Gustafson, University of Nebraska-Lincoln, USA
The Value of Choice: Evidence on the Effect of Consumer Knowledge

Behnud Djawadi, University of Paderborn, GERMANY
Self-deception in Groundwater Scarcity Conflicts: Evidence from a Field Experiment

Bjoern Hartig, University of London, UNITED KINGDOM
The Hidden Benefits of (Partial) Job Security - A Theoretical and Experimental Analysis of Carmichael's Tenure Model

Brandon Routman, Ronin Institute, USA
Rethinking Thinking, Fast and Slow
Pre-Conference Workshop Presentations:
Presented Monday, July 21 at the University of Nevada, Reno.

Young Researcher Workshop Session 1: Behavioral Economics and Institutions From Around the World

Urmimala Sen, Georgia State University, USA (W1)
Dictates, Ultimatums and Spousal Empowerment in Rural India

Matthew Van Den Berg, American University, USA (W1)
Runaway Slave Bounties, Property Rights, and the Fugitive Slave Act of 1850

Alessandra Theuma, Exeter University, UNITED KINGDOM (W1)
An Assessment of the Impact of National Employment Policies in Malta and the Possible Contribution of Behavioral Insights

Sied-Hassen Mohamed, Gothenburg University, SWEDEN (W1)
Gender, Bargaining Power and Demand for Energy Efficient Technologies: Evidence from Rural Ethiopia?

Young Researcher Workshop Session 2: Behavioral Economics -- Arts and Science

Rachel Flanigan, University of Nevada, Reno, USA (W2)
Undercutting the Gallery: Market Failure in Fine Arts Markets

Smarandita Ceccato, Alfred Weber Institute for Economics, Heidelberg University, GERMANY (W2)
The Effects of Chronic Stress on Economic Decision Making: Chronically Stressed Give More as Long as They Don’t Really Have To

Giuseppe Danese, Simon Fraser University, CANADA (W2)
Endocrine Correlates of Ambiguity

Patrick Ring, Institute for the World Economy, Kiel University, GERMANY (W2)
Sensitivity towards Fear of Pain in Passive Threat Situations
University Nevada Reno Planning Team:
Brian Cooper
Federico Guerrero
Theresa Moser
Mark Pingle
Dimitra Papadovasilaki
Jim Sundali
Mehmet Tosun
Nate Wiseman
Rattaphon Wuthsatian
Jacqueline Snow
Igor Makienko
Roy Visuett

Conference Sponsors

- Society for the Advancement of Behavioral Economics (SABE)  
  http://www.sabeonline.org/

- Integrative Neuroscience Center of Biomedical Research Excellence 
  http://www.unr.edu/neuroscience

- The International Confederation for the Advancement of Behavioral Economics and 
  Economic Psychology (ICABEEP)  http://www.iarep.org/ICABEEP.htm

- International Association for Research in Economic Psychology (IAREP)  
  http://www.iarep.org/

- Department of Economics, University of Nevada, Reno  
  http://www.unr.edu/business/academic-departments/economics

- College of Business, University of Nevada, Reno  http://www.unr.edu/business/
Events Around Lake Tahoe
Before, During, and After the Conference

July 20, 2014

Zac Brown Band at the 2014 Lake Tahoe Summer Concert Series at Harveys Outdoor Arena
July 20, 2014 | Harveys Outdoor Arena | 6:30 PM. Three-time GRAMMY winners and multi-platinum artists Zac Brown Band have become one of music’s most heralded acts. The band’s three platinum-selling albums, Uncaged (Atlantic/Southern Ground), You Get What You Give (Atlantic/Southern Ground), and The Foundation (Atlantic Records/Home Grown/Big Picture) have together sold over six million copies and produced a historic series of eleven #1 hit singles. Tickets, www.Ticketmaster.com and www.ApeConcerts.com

“As You Like It”: Lake Tahoe Shakespeare Festival July 20, 2014 | Sand Harbor State Park | 7:30 PM Shakespeare’s Enchanting Romantic Comedy. See http://tahoesouth.com/events/search#sthash.waFGvoaT.dpuf

July 21, 2014

Chautauqua: Thomas Edison and Henry Ford - Lake Tahoe Shakespeare Festival July 21, 2014 | Sand Harbor State Park | 7:30 PM Edison and Ford were friends during their lifetimes, and were two of the most important figures in fomenting the great transformation that occurred in America in the first half of the 20th Century as the nation shifted from a traditional rural populace into a modern urban society. See http://tahoesouth.com/events/search#sthash.waFGvoaT.dpuf

July 22, 2014

Tahoe Improv Players - The Valhalla Arts, Music & Theatre Festival July 22, 2014 | Boathouse Theatre at Valhalla | 7:30 PM The audience calls out suggestions. A group of actors who enjoy walking a theatrical tight rope, improvise a scene on the spot. The audience laughs and then the actors do it again, and the audience laughs again…you get the picture. See http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf

“As You Like It”: Lake Tahoe Shakespeare Festival July 22, 2014 | Sand Harbor State Park | 7:30 PM Shakespeare’s Enchanting Romantic Comedy. See http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf

The Buddy Emmer Blues Band hosts Tuesday Night Spring Blues, Live at Harrah's Lake Tahoe July 22, 2014 | Harrah's Lake Tahoe - Casino Center Stage | 8:00 PM – 11:45 PM The Buddy Emmer Blues Band hosts Tuesday Night Spring Blues free on the Harrah’s Lake Tahoe casino floor from 8-11:45 p.m. There is a featured artist show performs the second and third set. See http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf
July 23, 2014

**An Evening of Old World European Folk Music** featuring Beaucoup Chapeaux - Valhalla Art, Music and Theatre Festival July 23, 2014 | Boathouse Theatre at Valhalla | 7:30 PM Join us for an evening of eastern European gypsy and world music. See [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

**The Improv at Harveys** - Howie Nave: Host & Emcee, Scott Record and Ronnie Schell July 23, 2014 | Harveys Cabaret | 9:00 PM Audiences laugh it up Wednesday through Sunday at the hilarious Improv at Harveys Cabaret! Featuring two new comics weekly - See more at: [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

**“As You Like It”: Lake Tahoe Shakespeare Festival** July 23, 2014 | Sand Harbor State Park | 7:30 PM Shakespeare's Enchanting Romantic Comedy. See [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

July 24, 2014

**Live at Lakeview: Free Summer Concert Series on the Beach** July 24, 2014 | Lakeview Commons/El Dorado Beach | 4:30 PM – 8:30 PM | Paa Kow’s By All Means Band World (afro-fusion orchestra) [http://tahoesouth.com/events/details/6534/live_at_lakeview_free_summer_concert_series_on_the_beach](http://tahoesouth.com/events/details/6534/live_at_lakeview_free_summer_concert_series_on_the_beach)

**The Critically Acclaimed Stage Production of August: Osage County** - LTCC Duke Theatre July 24 – 27, 2014 | Lake Tahoe Community College Duke Theatre | 7:30 PM A fraught, densely plotted saga of an Oklahoma clan in a state of near-apocalyptic meltdown. Fiercely funny and biting... a turbo-charged tragicomedy packed with unforgettable characters and dozens of quotable lines. - See more at: [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

**Wa She Shu It’ Deh Native American Arts Festival** - Valhalla Arts, Music and Theatre Festival July 24 – 27, 2014 | Valhalla Grand Hall and Lawn | 10:00 AM – 5:00 PM Wa She Shu It’ Deh Native American Arts Festival - See more at: [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

**“As You Like It”: Lake Tahoe Shakespeare Festival** July 24, 2014 | Sand Harbor State Park | 7:30 PM Shakespeare's Enchanting Romantic Comedy. See [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)

July 25, 2014

**Heavenly Village Summer Concert Series** July 25, 2014 | Heavenly Village | 5:00 PM – 9:00 PM Enjoy FREE concerts in the Heavenly Village all summer long! All shows are all ages and feature new bands Friday and Saturday nights 5-9pm, Memorial Day through Labor Day! See [http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf](http://tahoesouth.com/events/search#sthash.rXkFH4Fr.dpuf)
Train at the 2014 Lake Tahoe Summer Concert Series at Harveys Outdoor Arena
July 25, 2014 | Lake Tahoe Outdoor Arena at Harveys | 7:30 PM
Train is an American pop rock band from San Francisco with hits like Hey, Soul Sister, Marry Me and Drops of Jupiter. Tickets on sale Friday, April 18 at 10 a.m. PDT. Tickets sold only thru Ticketmaster Outlets, www.ticketmaster.com or www.apeconcerts.com

Hot August Nights South Lake Tahoe | July 25-26 | The Tahoe South Event will complement the Reno-Sparks Hot August Nights auto exhibition event, which occurs July 29-August 3. The South Tahoe event includes daily Show-n-Shines with cash awards, vendors, a cruise around highway 50 and great free live entertainment daily on all of the outdoor stages.
SABE is an association of scholars who are committed to the rigorous economic analysis of the world we live in. SABE members possess a deep and abiding interest in how people actually behave because an understanding of such behavior is a vital determinant of the micro foundations of economics as a social science.

SABE welcomes the use of psychology, sociology, history, political science, biology, and other disciplines to assist in furthering our understanding of economic choice. SABE accepts and encourages economic analysis based on behavioral assumptions that challenge the basic premises of the neoclassical paradigm, or, alternatively accept those premises. SABE members consider the optimizing assumptions of neoclassical theory to represent an extreme but at times a useful subset of possible assumptions about economic behavior.

An important function of SABE is to serve as a forum for research which may not find either comprehension or acceptance in conventional economics societies or meetings. In this way SABE hopes to facilitate the further enrichment and development of economic science as a vehicle with which to further our understanding of the economy, past and present.

SABE holds an annual conference (sometimes in cooperation with IAREP under the ICABEEP confederation), and sponsors additional workshops and sessions in some conferences every year. SABE also publishes a newsletter twice a year, which informs its readers throughout the world about SABE activities as well as other events and activities in behavioral economics and related fields. SABE members also enjoy an e-mail list that informs members about events, calls for papers, etc.

To learn more about SABE you can visit its webpage, http://www.sabeonline.org/.

I hope to see you getting involved in the various activities of SABE.

Yours,

Ofer Azar, SABE President
ICABEEP - The International Confederation for the Advancement of Behavioral Economics and Economic Psychology

In the 2009 IAREP-SABE conference in Halifax, Canada, the General Assemblies of IAREP and SABE established "The International Confederation for the Advancement of Behavioral Economics and Economic Psychology" (ICABEEP) as a confederation of IAREP and SABE, thus creating an umbrella organization for behavioral economics and economic psychology.

ICABEEP is administered by the ICABEEP Executive Committee, which is elected by IAREP and SABE. Members of SABE and IAREP automatically become also members of ICABEEP. Since the inception of ICABEEP, several joint IAREP-SABE-ICABEEP sponsored activities (workshops, conferences, summer schools, etc.) were held every year. When the annual conferences of SABE and IAREP are joint, they are held under the umbrella of ICABEEP. After Halifax 2009 such joint conferences were held in 2010 (Cologne, Germany), 2011 (Exeter, UK) and 2013 (Atlanta, US).

For more information about ICABEEP see [http://iarep.org/ICABEEP.htm](http://iarep.org/ICABEEP.htm).

If you want to organize a workshop or a similar activity in behavioral economics or economic psychology and are interested in an ICABEEP sponsorship, please contact the Chairperson of ICABEEP Executive Committee, Ofer Azar ([azar@som.bgu.ac.il](mailto:azar@som.bgu.ac.il)).
IAREP International Association for Research in Economic Psychology

Founded in 1982, the International Association for Research in Economic Psychology (IAREP) is the natural meeting point for all those interested in the areas where psychology and economics intersect. It has a wide international membership, drawn from psychologists and economists, but also from specialists in business administration, marketing and consumer behavior.

The interests of IAREP are broad. A few of our members would describe themselves as "economic psychologists", and work in departments or institutes of economic psychology. The majority, however, are simply experts in one discipline who recognize that neighboring disciplines have something important to contribute to the areas they are interested in. We welcome anyone who takes this kind of open-minded approach to research. Economic psychology is concerned both with the psychological mechanisms through which economic behavior comes about, and with the psychological effects of economic events.

The Activities of IAREP include:

- Annual Colloquium: This is usually held somewhere in Europe and gives an opportunity for informal contact as well as more formal presentations. This is the most important meeting point for anyone interested in interdisciplinary work between psychology and economics.
- Sponsoring the Journal of Economic Psychology. The Association founded the journal, elects the Editor, and supports the activity of the Editors and publishers in many ways. Members of IAREP are entitled to a concessionary rate for personal subscriptions to the journal.
- Publishing a regular Newsletter giving news about activities in economic psychology and related fields.
- Supporting graduate Summer Schools in economic psychology.
- Supporting Workshops on special topics in economic psychology.

Perhaps the most important way IAREP works, however, is as an informal network of friends and colleagues, which successfully crosses national and disciplinary frontiers. Many joint research projects have been launched through discussions held at IAREP meetings, and many research publications have originated in the cross-fertilization of ideas that occurs when people of different backgrounds meet and discuss common problems with an open mind.
Integrative Neuroscience Center of Biomedical Research Excellence at the University of Nevada, Reno is a multidisciplinary research center that brings together neuroscientists from across UNR's campus to foster complementary and synergistic approaches to understanding the brain and neurological disorders. It supports the research and mentoring of junior faculty, as well as core facilities to provide access to modern neuroimaging techniques and to research with special neurological populations. The center is supported by an NIH/NIGMS Center of Biomedical Research Excellence (COBRE) grant (P20GM103650). COBRE grants are designed to build the faculty and resources that will strengthen an institution's research capacity and expertise in focused areas of biomedical science.
Conference Presentations and Abstracts by Presenter Name

**Tom Adi**, Readware Institute, USA (VIb)  [tomadi59@gmail.com](mailto:tomadi59@gmail.com)
*A Consumer Choice Theory Incorporating Behavioral and Spiritual Wisdom*

Why are there tabloids and gossip media? Why does it seem people are obsessed with the rich and the famous? Does the desire to be something that is so out of reach correlate to depression, suicide and other individual and societal ills? Are people misinformed to believe that if they buy expensive items that they will fit in socially? Can a new set of information that readjusts consumer thinking lead to a paradigm that steers clear of the rich and famous and towards more realistic means?

**Paul Albanese**, Kent State University (Vb)  [palbanes@kent.edu](mailto:palbanes@kent.edu)
*The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion*

Presentation of the Personality Continuum, a template matching technique of personality classification, and the case study of Lois the compulsive buyer. The Personality Continuum is an integrative framework for the interdisciplinary study of consumer behavior that is divided into four qualitatively different levels of personality development that are hierarchically arranged in descending order from highest to lowest: normal, neurotic, primitive, and psychotic. The four patterns of consumer behavior are the normal consumer with a transitive preference ordering making consistent choices, a more precise formulation of the rational economic man of neoclassical ordinal utility theory; the neurotic consumer, ambivalent, indecisive, inconsistent, inhibited by guilt, and racked by cognitive dissonance; the compulsive and more extreme addictive consumer at the primitive level with a chaotic, alternating and contradictory pattern of behavior; and the irrational consumer at the psychotic level. A panel of discussants will address the broader area of personality and consumer behavior.

**Morris Altman**, Victoria University of Wellington, NEW ZEALAND and Univeristy of Saskatchewan, CANADA (IIIb)  [morris.altman@vuw.ac.nz](mailto:morris.altman@vuw.ac.nz)
*Exchange Rates, Protection, and Economic (X)-Inefficiency*

The hypothesis, embedded in the Canadian exchange rate literature, that relatively low exchange rates serve to incentivize economic inefficiency by making exports relatively inexpensive, can best be modeled applying x-efficiency theory. Such x-efficiency modeling can be generalized across economies. Laxity in competitive pressures can be expected to reduce effort inputs and thereby the level of economic efficiency. I argue that lowering and maintaining low exchange rates serves to reduce competitive pressures thereby providing protection to firms that choose to be x-inefficient. Increasing exchange rates can be expected to induce more x-efficient behavior. Conventional theory cannot explain why or how firms would choose to remain economically inefficient and how this might persist in equilibrium since effort inputs are assumed fixed irrespective of the state of competitiveness. I contextualize the x-efficiency framework presented here in terms of rational managerial slack that’s a function of variations in the exchange rate.
Gerrit Antonides, Wageningen University, THE NETHERLANDS (Vb)  
Gerrit.Antonides@wur.nl  
Panelist: The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion

Gerrit Antonides, Wageningen University, THE NETHERLANDS (VIa)  
Gerrit.Antonides@wur.nl  
Survey Evidence of Diversification

This paper evaluates the lack of diversification in individual stock portfolios, using survey data on investment choices, expected returns and risk characteristics. For each investor, we measure the ex-ante residual volatility from the single-index model to capture under-diversification. We find that it declines with the number of different stocks in portfolio, this at a decreasing rate. Furthermore, we find that under-diversification decreases with the degree of implied relative risk aversion. We also find specific indirect wealth effects that may be related to increasing cost incentives and decreasing relative risk aversion. The estimated risk-return relationship is consistent with investors expecting to earn higher returns as appropriate compensation for both market and undiversified risk, and not for the reason of mispricing. Finally, about 20% of the residuals lack a rational interpretation. Instead, they show signs of under-confidence in the stock market, this incidence being more likely at an earlier age.

Omar Asensio, University of California, Los Angeles, USA (VIIb) omar.asensio@ioes.ucla.edu  
The Dynamics of Framing Interventions: The Case of Energy Conservation Behavior

Little is known about the effects of message framing on the dynamics of conservation behavior. In a randomized controlled trial with residential consumers, we test how different messages about household energy use impact daily conservation decisions down to the appliance level. Our results show that while consumers immediately react to the novelty of tailored informational messages about their household electricity use, the persistence of induced energy savings behavior depends critically on how the conservation decision is framed. Using a health-based decision frame, in which consumers consider the human health effects of their marginal electricity use, we observe strong persistence of energy savings behavior; whereas using a more traditional cost savings frame, we observe a sharp attenuation of treatment effects over time. Our results suggest that health-based considerations have greater longevity versus small monetary rewards in meeting energy conservation goals. We discuss implications of our findings for the design of effective information campaigns to engage consumers on household consumption decisions.

Ofer Azar, Ben-Gurion University of the Negev, ISRAEL (IVc) azar@som.bgu.ac.il  
Relative Thinking with Substitute Goods: Does it Exist with Real Choices?

This paper examines whether in the context of product differentiation people exhibit "relative thinking" (are affected by relative price differences even when only absolute price differences are relevant). Subjects were asked (in an incentivized manner) to indicate for 11 pairs of goods, given the price of one good, what is the maximal price of the other good for which they would prefer the latter. They received different prices for the same good. If subjects exhibit relative
thinking, then those who receive a higher good's price will also be willing to pay more for the constant quality difference between the goods. The results seem to suggest that people are affected by two biases: Relative thinking, which is stronger when the goods are more similar; and a prominence bias - people focus on the value of the product they are pricing although what matters is the value difference between the two goods.

**Neil Bendle**, Western University, CANADA (I1lb)  nbendle@ivey.ca

*Rationality and Delivering Value to Female Customers*

We describe marketing’s ambivalent relationship with irrationality. The traditional theory of marketing -- understanding the needs of, and providing value to, consumers -- implicitly assumes consumer rationality. Countless investigations, however, have found that consumers are not faultless, emotionless, consistent, optimizers. Many marketers have, thus, embraced calling customers “irrational”. We investigate the unintended consequences of such labelling. Our first experiment demonstrates that a decision’s perceived rationality is a function of the decision-maker. Specifically, decisions made by women are more likely to be viewed as not rational. Our second experiment tests how labelling a consumer as irrational impacts a marketing management decision. Given this we suggest marketers consider carefully how they use the term irrational as it may interact with the listener’s stereotypes.

**Avner Ben-Ner**, University of Minnesota, USA (VIc)  benne001@umn.edu

*Social Preferences and Parental Influence in Preschoolers*

Much that goes on in organizations, families, economy and society reflects a mix of selfishness and other-regarding, and of social preferences such as trust and honesty. Institutions such as families, schools and churches seek to impart “good values” in the belief that these improve the functioning of organizations, families and society. In particular, parents teach “good values” to their children by exposing them to desirable influences and by modeling behavior. Additionally, shared environment and shared genes generate a certain similarity in parents’ and children’s behavior. The transmission of values, cultural norms and individual attitudes across generations, especially from parents, schools and religious and other institutions to children, has been long theorized on as well as empirically documented in the literature. However, little is known about specific channels and mechanisms of transmission (or sources) of particular values, norms and attitudes, and the relative effectiveness of these mechanisms. We study some of these issues using economic dictator game experiments in which parents and their children (ages 3-5) participate.

Do parents behave differently in a dictator game in which their giving will be shown to their children as compared to a game in which their giving is not revealed? [teaching/role modeling] Do children behave differently in a dictator game in which they are shown what their parents did in a similar situation as compared to a game in which they are not shown what others did? [emulation] Is parents’ behavior when their giving is not shown to children correlated with their children’s behavior when they are not influenced by parents’ giving? [family inheritance].

Teaching/role modeling: yes, more by fathers than mothers and more to Generous children

Emulation: yes Girls, younger children more susceptible to influence Fathers (and other adults) have more influence than mothers Selfish and Generous children emulate more than Fair children Family inheritance: no.
Avner Ben-Ner, University of Minnesota, USA (VIIIc) benne001@umn.edu
Empirical Evidence on Diversity and Performance in Teams: The Role of Task Focus, Status and Tenure

(1) Does diversity in the ethnic, national and linguistic background of workers affect individual and collective performance? (2) Do the effects of diversity vary with the nature of tasks? (3) Does common experience of employees – joint tenure on a team – alter the effects of diversity? (4) Does the impact of joint tenure vary with tasks and workers’ domestic/foreign or majority/minority status? We develop a theoretical framework in which diversity has different incentive and decision-making effects for those who carry out prevention tasks (protecting the organization from harm) and promotion tasks (advancing positive outcomes) and employees who belong to the majority or minority. We analyze data for 28 teams and 1,723 players that played in 6,120 games in the Bundesliga, the main German soccer league, during the decade 2000/1-2009/10, for a total of 77,406 player/game observations. We study game scores and player objective performance ratings at the game level, controlling for players’ place of origin, talent, position and demographics, team fixed effects, manager, opposing team, and other factors. Diversity has a bifurcated effect, positive for defensive players and negative for offensive players; the effects are strengthened by longer joint tenure. Longer tenure of German players in conjunction with team diversity contributes to performance whereas the opposite holds for non-German players. The results are found at the level of individual player performance, and are manifest (although more weakly) also for team performance at the game level.

Léa Bousquet, Paris School of Economics, FRANCE (VIIIb) bousquetlea@gmail.com
Measuring time inconsistency and naivety with monetary rewards

The purpose of this paper is to measure time inconsistency and naivety degrees thanks to monetary rewards in a lab experiment. I run an experiment in two sessions. During the second one, I used both well-established designs of Andreoni and Sprenger (2012) and Andersen et al. (2008) to measure time inconsistency. During the first one, I adapt these designs to measure the participant beliefs on their time inconsistency degree. Indeed, I ask them to declare what decisions they think they will take for these choices at future date. I use (beta, delta) model to characterize the utility function and I consider the naivety degree as the difference between the belief on the present bias term hatbeta and the real one beta. The experiment pilot shows strong evidence of the underestimation of time inconsistency degree.

Alessandro Bucciol, University of Verona, ITALY and Netspar (IXb) alessandro.bucciol@univr.it
Household Portfolios and Personality Traits

In this paper we present evidence on new determinants of household portfolio choice. Based on US data from three waves of the Health and Retirement Study (HRS), which provides detailed data on individuals aged 50+, we show that portfolio decisions are significantly associated with non-cognitive abilities such as personality characteristics. These effects survive after controlling for classic individual determinants of portfolio choice. In particular, portfolio choice seems to depend on a series of facets that personality psychology traditionally associates with the key traits characterizing the well-known ‘Big Five’ model.
**Identity and Coordination in the Inter-Group Prisoner’s Dilemma**

Many interactions between groups resemble an inter-group prisoner’s dilemma (IPD), and the ability or inability for groups to cooperate in such environments is crucial for organizational performance and community welfare. This paper studies theoretically and experimentally how prior social interactions that affect individuals’ pro-social concerns for their out-group members may affect cooperation in a one-shot IPD. The model incorporates group-contingent social preferences, the importance of pivotal decision-makers, and decision errors, and derives conditions under which an increase in pro-social concerns for the out-group will increase cooperation. The experimental results show that in the Baseline treatment without inter-group social interaction, only 8% of groups cooperate. Inter-group prior play of an unrelated coordination game, however, increases the cooperation rate to 42%, and adding pre-play communication across groups increases cooperation to 67%. The strong treatment effects suggest that policies that facilitate or promote social interactions in organizations and communities may have significant benefits.

**The Effects of Chronic Stress on Economic Decision Making: Chronically Stressed Give More as Long as They Don’t Really Have To**

Even though chronic stress is a pervasive problem in contemporary societies and it is known to precede both physiological and psychological conditions, its effects on decision making have not been systematically investigated. We are the first to scrutinize the relation between self-reported chronic stress and social preferences. We measured chronic stress with the Trier Inventory for Chronic Stress (TICS). We measured social preferences in a double anonymous dictator game in one of sixteen experimental conditions. Controlling for the robustness of social preferences and experimenter demand effects, we created a 2x2x2x2 design, where we manipulated four variables: the frame (Give vs. Take), the decision maker’s gender (Female vs. Male), the recipient’s gender (Female vs. Male) and the nature of the reward (Real vs. Hypothetical). We show that social preferences dependent on real rewards are not influenced by chronic stress, whereas those based on hypothetical rewards significantly relate to chronic stress levels.

**Empathy in the Structure and Behavior of Economics**

This paper presents the case for empathy as foundational to the free market. Insights from evolutionary neuroscience provide the basis for understanding the role of empathy as a second primary motive in the institutional framework as well as the behavior of the market. The market is an expression of a highly integrated algorithm of evolved brain physiology. Self-interest
derives from early premammalian amniote brain circuits which provided for self-survival behaviors and little else. The later evolution of mammalian circuitry provided for empathy and the capacity for social life, primarily expressed as caring and social exchange. Evidence from brain physiology, evolutionary neuroscience, and economics is provided to support this thesis.

Carlos Cueva, University of Alicante, SPAIN (Ia) ccuevah@gmail.com

Acute Cortisol, Rather than Testosterone, Destabilizes Financial Markets

In the wake of the devastating financial crisis of 2008, understanding the causes of instability in financial markets has become crucial for economic analysis and policy making. Recent research has highlighted the possibility that biological factors, in particular the two hormones cortisol and testosterone, may critically influence financial decision making of individuals, but the question of the aggregate effects of hormones on the stability of financial markets remains open. We first demonstrate that acute increases in men’s cortisol but not testosterone levels have a causal effect in increasing appetite for risky investments. We then show that endogenous cortisol levels of men, but not women, entering an experimental asset market predict subsequent trading at prices away from fundamental values and overall price instability in the market, whereas no such association was found with testosterone. Overall, these findings suggest that short-term changes in men’s cortisol, rather than testosterone, can have a destabilizing role in financial markets.

Giuseppe Danese, Simon Fraser University, CANADA (W2) gda11@sfu.ca

Endocrine Correlates of Ambiguity

Ellsbergian behaviour has been linked to the beliefs the decision makers exhibit with respect to the contents of the ambiguous Ellsberg urns (Gilboa and Schmeidler, 1989; Klibanoff et al. 2005). We collect information on the participants' beliefs in the face of radical uncertainty, and on their ability to update these beliefs in the face of new information. We also collect information on the participants' ambiguity premium through an incentive compatible sale of lotteries, after Halevy (2007). We seek evidence regarding the linkage between beliefs and ambiguity attitudes; furthermore, we attempt to establish a relation between the participants’ ambiguity attitudes and their trait levels of testosterone and cortisol, two hormones that have been associated with performance in uncertain environments (Coates et al. 2008).

Anusua Datta, Philadelphia University, USA (Ib3) dattaa@philau.edu

Effects of Physician-Directed Pharmaceutical Promotion on Prescription Behaviors: Longitudinal Evidence

Prescription drug (Rx) promotion directed at physicians (also known as detailing), which accounts for 83% of all promotions, remains controversial. Critics contend that physician-directed promotion raises healthcare costs and possibly induces physicians’ to prescribe more expensive and less cost-effective drugs. We use data on prescriptions and detailing visits for a nationally representative sample of 150,000 physicians spanning 24 months, to bear upon the question of how detailing impacts physicians’ prescribing behaviors. Virtually all of the existing literature has relied on aggregate national data. Longitudinal physician-level data allows us to fully exploit physician level variability and targeting biases. In addition, we can assess differential effects of prescribing behaviors, at both the extensive and intensive margins and across physician- and market-level characteristics, questions which have not been explored in
prior work. The elasticity of new scripts with respect to detailing is about 0.06, which is substantially smaller than those based on aggregate data, suggesting the presence of selection bias. Detailing increases brand-specific demand, but has little effect on class-level demand. Detailing operates at the extensive margin – inducing new physicians to prescribe the drug than for a physician to prescribe more.

Angela De Oliveira, University of Massachusetts Amherst, USA (IIc) adeolive@resecon.umass.edu

Beliefs in Threshold Public Goods

Understanding the impact of social information on beliefs in Threshold Public Goods (TPGs) is particularly important since the social optimum can be supported as a Nash Equilibrium. We conduct a TPG experiment on the Amazon Mechanical Turk platform. Our baseline is a four-player, one-shot TPG design, with no returns or rebates. We then conduct a series of treatments to exogenously manipulate beliefs by providing subjects information about 10 previous contributions of other participants. This is purely social information: Subjects know that they could not be matched with any of these players. We find high rates of ‘success’ (achieving the threshold) in all three settings, over 80% of the groups reach the threshold. Preliminary analysis suggests that providing subjects with information about the previous contributions of other players increases both group success rates and group efficiency in providing the public good.

Angela De Oliveira, University of Massachusetts Amherst, USA (IXa) adeolive@resecon.umass.edu

Reward the Lucky

We conduct an experiment to investigate the impact of agency and luck on potential rewards. In the treatment, subjects are randomly and anonymously matched in pairs, and within each pair players are randomly chosen to be either Player A or B. Player A must make two investment decisions, one for themselves and one for player B. Before payoffs are revealed, Player B makes three strategy-method dictator game decisions, one for each possible outcome from the investment. The baseline differs in that the stage 1 payoffs are randomly determined. We find an overall propensity to punish agency, which is most severe for losses.

Maryam Dilmaghani, Saint Mary’s University, CANADA (Ic) maryam.dilmaghani@smu.ca

Cardinal Utility of Religiosity: Between Economics and Psychology

Using the latest wave of Canadian Ethnic Diversity Survey, I estimate the impact of religiosity on the self-reported level of subjective wellbeing, controlling for a wide range of socioeconomic, demographic and psychological factors. As such, the estimated model is build upon multidisciplinary insights. I find that religiosity relates to life-satisfaction through a statistically significant, positive coefficient. Incorporating interaction terms into the model, I find that religiosity enhances the partial effect of most psychological and demographic variables but it is insignificant for the array of socioeconomic explanatory variables. Constructing a multidimensional religiosity index, I also account for cross-denomination differences in the impact of religiosity on subjective wellbeing. Through this set of estimations, I find that Catholics’ coefficient is positive and statistically significantly larger than the coefficient of all
other groups while Jewish denominations score the lowest through a negative coefficient. Various explanations, including the interaction between ethnicity and religious denomination are examined.

Behnud Djawadi, University of Paderborn, GERMANY (IXc)
bdjawadi@mail.uni-paderborn.de
Self-deception in groundwater scarcity conflicts: Evidence from a field experiment

Groundwater is a life-sustaining resource that supplies fresh water to billions of people. Yet, recently available satellite-based ground water depletion data sets (GRACE) show that groundwater is being depleted faster than it is being replenished. This overexploitation threatens the fresh water supply of the population and agricultural production especially in Asia and North America. We argue that self-deception manifested in an information bias favoring welcome over unwelcome information is an important reason for overexploiting groundwater sources. To investigate the impact of self-deception on groundwater usage a field experiment is conducted where marbles mimic water as a real commodity. Participants can overexploit ground water for additional financial benefits and create negative externalities for others. The experiment allows participants to avoid the cues of conscious overexploitation that might reveal deceptive intent. However, we do not observe more overexploitation triggered by self-deception compared to the situation with no information bias.

Ming Dong, York University, CANADA (IXb) mdong@ssb.yorku.ca
Does the Weather Influence Global Stock Returns?

We investigate the effects of five weather conditions (sunshine, wind, rain, snow depth, and temperature) on daily index returns of 49 countries from 1973 to 2012. We conduct month-by-month tests separately for cold, hot, and mild regions (the Southern Hemisphere timing is shifted by six months). Two themes emerge from our tests. First, returns are positively associated with comfortable weather conditions in all three temperature regions, especially when people expect to spend more time outdoors. Second, in the cold and mild regions, winter-time cold temperature appears to stimulate risk taking and leads to higher returns. These findings suggest that the impact of weather on investor behavior is stronger and more pervasive than previously documented. A hedge strategy that exploits the stock return predictability of the weather can generate substantial out-of-sample profits (18% to 25% annualized return before transactions costs) during 1993-2012.

Denvile Duncan, Indiana University, USA and IZA, GERMANY (VIIa)
duncande@indiana.edu
Tax Incidence in the Presence of Tax Evasion: Experimental Evidence

This paper identifies the effect of tax evasion on the economic incidence of a per-unit tax in a competitive market. We design a laboratory experiment in which buyers and sellers trade a fictitious good in double auction markets. A per-unit tax is imposed on sellers. Sellers in the treatment group are provided the opportunity to evade the tax whereas sellers in the control group are not. We find that the market equilibrium price in the treatment group is economically and statistically lower than in the control group. This implies that tax evasion lowers the
economic burden of the tax on both sides of the market and thus lowers the efficiency costs of the tax. These findings suggest that efforts to understand the equity and efficiency implications of taxes must account for the impact of tax evasion opportunities on agents' behavior.

**Mikel Duffy**, International Technological University, USA (IVa)  mduffy@itu.edu

*Empathy in the Structure and Behavior of Economics*

This paper presents the case for empathy as foundational to the free market. Insights from evolutionary neuroscience provide the basis for understanding the role of empathy as a second primary motive in the institutional framework as well as the behavior of the market. The market is an expression of a highly integrated algorithm of evolved brain physiology. Self-interest derives from early premammalian amniote brain circuits which provided for self-survival behaviors and little else. The later evolution of mammalian circuitry provided for empathy and the capacity for social life, primarily expressed as caring and social exchange. Evidence from brain physiology, evolutionary neuroscience, and economics is provided to support this thesis.

**James Feigenbaum**, Utah State University, USA (IXb)  j.feigen@aggiemail.usu.edu

*Optimal Decumulation of Assets in General Equilibrium*

I consider the optimal decumulation of assets in a general equilibrium model under three regimes. In one regime, households are fully rational but only have access to realistic annuities that pay a constant stream of income until death, as opposed to perfect Yaari (1965) annuities for which the return increases with mortality risk. In the second regime, households have the same choices but follow the restricted optimal irrational behavior paradigm with Keynesian consumption functions. In the third regime, households are fully rational but are forced to invest their savings in some form of annuity at retirement. Though in partial equilibrium, households are better off participating in traditional annuities that assimilate assets upon death and therefore deliver higher returns than bonds, the lesson from all three regimes is that in general equilibrium it is suboptimal for households to have access to traditional annuities unless the discount rate is very low or intertemporal elasticity is very high. Households should generally be encouraged to participate in "bond annuities", which earn the same return as bonds but the household's estate retains ownership of the assets upon death.

**Scott Findley**, Utah State University, USA (VIa)  tscoott.findley@usu.edu

*Time Inconsistency and Retirement Choice*

We study the effect of hyperbolic discounting on saving behavior in a continuous-time model with endogenous retirement. We focus exclusively on the case of naiveté. Compared to the rational benchmark of exponential discounting, a naive individual with a hyperbolic discount function incurs about half as much debt, starts saving several years earlier during the working phase, and arrives at retirement with a nearly identical level of accumulated savings. Standard intuition might suggest the exact opposite, but standard intuition does not necessarily apply when retirement is endogenous because naive individuals make saving decisions based on mistaken beliefs about the length of the retirement period. Indeed, individuals in our model plan to retire earlier than they actually retire and therefore overestimate the length of the retirement period and save aggressively, while exponential consumers make no such judgment error.
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Is Overconfidence a Macroeconomic Virtue?

We examine the welfare consequences of overconfidence using a general-equilibrium life-cycle consumption model. Overconfident consumers naively make consumption-saving plans based on an expected rate of return that is higher than the actual rate of return. This type of irrational behavior leads to welfare losses, but because the overconfident consumers also save more, capital stock increases, leading to favorable factor prices and higher national income in general equilibrium. We find that these general equilibrium effects lead to welfare gains that can more than offset the welfare losses due to the departure from rational behavior. In a realistic mixed economy setting with both rational and overconfident consumers, we find that these welfare gains always make the rational consumers better off, but the overconfident consumers themselves may or may not be better off. The strength of these general equilibrium effects depend on the level of consumer impatience, but overconfidence always improves welfare for a substantial part of our parameter space.

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Undercutting the Gallery: Market Failure in Fine Arts Markets

This study examines primary markets for fine arts, where artists sell unique, creative works for the first time. Artworks are an extreme case of assets with no measurable criteria of value. Traditionally, artists have partnered with galleries to signal value to collectors and investors, while paying a gallery commission. New online marketplaces offer artists the opportunity to sell works directly to buyers. In online markets where a $600 painting is offered for sale next to a $15,000 painting, how do artists signal value? We hypothesize that, without an intermediary, artists will herd to new marketplaces, leading to excess entry, and asymmetric information market failure. This study is a survey of 173 artists, who are grouped by demographic characteristics, as well as reputation, information, confidence, and price levels. Comparisons of these groups are made for artists pursuing gallery, online, dealer, and direct sales.

Gigi Foster, University of New South Wales, AUSTRALIA (IIa) gigi.foster@unsw.edu.au

The Role of True Believers in the Development and Stability of Group Norms

The behavioural norms exhibited by real-life human groups are highly varied, in areas as diverse as clothing, eating habits, and philanthropic behaviour. What sustains these different norms? We hypothesize that a crucial ingredient in sustaining group norms is a belief amongst members of the group that there is ultimately some fraction of the group that will always adhere to those norms, regardless of any personal inclinations that might conflict with them, which provides an implicit threat of punishment against non-adherents. A vast set of prior researchers from across the social sciences have studied the development and sustainability of group norms. Our contribution with this project is based partly on the theory offered in Frijters and Foster (2013) that contends that groups can only maintain their norms as long as some subset of the group is truly loyal to those norms, where that loyalty trumps any personal gain from breaking the norms. This contention is an outgrowth of the broader theory of loyalty and group dynamics offered in that book. In this project we aim to investigate the role of these loyal members, whom we call
“true believers”, in the development and strength of group norms. Our experimental design builds directly on Bose, Dechter and Ivancic (2009), who pioneered the use of simultaneous offer/receiver play in the Ultimatum bargaining game as a mechanism for measuring group norms.

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Is Good Fortune a Tradable Asset? Further Experimental Evidence on the Economic Value of Luck

We replicate and extend the experimental design used in Powdthavee and Riyanto 2014 that demonstrated a willingness to pay for outcome predictions that are transparently meaningless. Our participants witness five random coin tosses, with each participant endowed with a set of envelopes containing predictions about the five outcomes. Some participants’ envelope sets by design end up being correct for several coin tosses in a row. We show the full performance history of all prediction sources after each toss, and offer participants computerized or self-selection of heads or tails, both at no cost, or the chance to follow others’ predictions. In half of our sessions, we introduce a cost to open one’s own envelope before the relevant coin toss; in the other half, this is costless. We compare our findings to prior findings, examining whether participants are willing to part with money in order to follow predictions.

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Rationality, Globalization, and X-Efficiency

Over the past 15-20 years there has been an explosion of empirical studies on X-efficiency. Studies come from, among other places, China, the U.S., the EU, Australia, Pakistan, Egypt, and Africa. Much of this increase in empirical studies has been tied to the deregulation of the financial sector in many countries, increased competitive pressure from globalization, and the global financial crises of 2007. Does the increase in XE after increased pressure for more efficiency mean that decision makers were irrational before the increases in XE? This question will be asked around the concept of either a broad r a narrow definition of rationality. This paper will present a summary of the empirical studies relevant to the issues discussed above.

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Adaptation to Payment Scheme Changes: The Effect of Digit Ratio

Economic experiments report that individuals perform better under a piece rate payment scheme in comparison to a fixed payment scheme. In this paper, we investigate the effect of prenatal testosterone exposure on performance adjustment in a real effort task. To observe the prenatal testosterone levels that the participants were exposed to during pregnancy, we use the so-called digit ratio as an indirect measurement method. Subjects who are paid piece rate in the first half of the experiment immediately decrease their performance at the beginning of the second half when paid under a fixed payment scheme. Subjects who were exposed to higher levels of prenatal testosterone provide significantly lower effort when the payment scheme is switched from piece rate to fixed rate.
Seth Giertz, University of Nebraska-Lincoln, USA (VIIa)  seth.giertz@gmail.com
Behavioral Responses to Taxation: Policy Uncertainty and Rent Seeking by Firms and CEOs

We posit that rent seeking is a largely neglected cost of policy uncertainty. We build on the insights of William Baumol (1990), who contends that entrepreneurship can be not only productive, but also unproductive or even destructive. We argue that policy uncertainty increases the expected returns from rent seeking and thus yields more of this unproductive or destructive entrepreneurship. We develop a model and empirically test the hypothesis that CEOs, and the firms that they manage, respond to tax policy uncertainty by increasing their political contributions and lobbying expenditures. We view uncertainty as a signal that politicians are receptive to policy changes. With little policy uncertainty, higher returns may be sought from investing in productive activities. However, when government is receptive to policy changes, the returns from rent seeking (through lobbying etc.) may be more appealing.

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Goal Setting and Monetary Incentives: When Large Stakes Are Not Enough

The aim of this paper is to test the effectiveness of wage-irrelevant goal setting in the lab. In our design, managers can assign a goal to their workers by setting a level of performance on the work task. We establish our hypothesis by developing a model in which goals act as reference points to workers’ intrinsic motivation. Consistent with our model, we find that managers set goals which are challenging but attainable for an average-ability worker. Workers respond to these goals by increasing effort, performance and by decreasing on-the-job leisure activities with respect to the no-goal setting baseline. Finally, we study the interaction between goal setting and monetary rewards and find, in line with our theoretical model, that goal setting is most effective when monetary incentives are strong. These results suggest that goal setting may produce intrinsic motivation and increase workers’ performance beyond what is achieved using solely monetary incentives.

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Childhood Roots of Financial Literacy

Our study aims to uncover the roots of financial literacy. Better financial literacy has been shown to predict more informed savings and borrowing decisions in our sample, covering urban middle-class people. We then go on to test education at school, family background, parental teaching, and childhood experiences with money as potential determinants of financial literacy. In addition to risk tolerance and having basic numeracy skills, we find that family variables matter most, in particular better education of the mother and encouragement to save by parents. Our findings suggest that regular formal education clearly improves numeracy but may play only a limited role in shaping financial literacy.

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Common Law Marriage, Couple Formation, and Marriage
A major reason why couples are formed is to provide a protective environment for children. Children born to single mothers typically grow up with less of a father's presence in their lives than children born to an unwed couple (see Mincy and Oliver, 2003). Relative to children raised by a couple, children raised by a single parent often achieve less in terms of school performance (McLanahan and Gary Sandefur, 1994; McLanahan and Sigle-Rushton, 2004) and have higher rates of depression and crime participation (Hobcraft, 1998; Sigle-Rushton et al., 2005). Whether couples are married or cohabit may also have implications for children. From the standpoint of child advocacy, couple formation and marriage rates are therefore policy-relevant topics for research. In this paper we examine whether couple formation, marriage, and cohabitation rates can be associated with variation in the state-level availability of Common Law Marriage (CLM) and sex ratio defined as the ratio of men to women in marriage markets.

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**Human Capital Investment among Tanzanian Pastoralists**

For pastoralists in Tanzania, participation in formal education is a relatively recent phenomenon. In a sample of nearly 200 households, formal education rates for current tribal and household leaders are quite low (77 percent and 91 percent of current male and female leaders, respectively, had no formal education). Today, many more households send children to school, but there are differences both in the number of children and in the ratio of girls to boys sent to school among the three main pastoralist ethnic groups. I investigate differences in decision-making, household responsibilities—herding, fetching water, etc.—and attitudes towards male and female education that may influence household education choices. Following the finding that women tend to direct resources towards pro-family uses, I examine the role that assets controlled by women—especially cash generated by poultry production and the sale of cultural items—play in determining schooling choices among pastoralist children.

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**The Value of Choice: Evidence on the Effect of Consumer Knowledge**

A literature has developed in psychology and economics that calls into question the precept that increasing the amount of choice available to consumers will—at worst—have no effect on their wellbeing. Multiple articles have found evidence that increasing the amount of choice affects consumers’ decisions in ways inconsistent with the standard hypothesis. Using data from a field experiment, I suggest a mechanism that mediates the costs of choice: knowledge. Inviting wine shoppers to participate in a field experiment after they had selected a bottle of wine from the shelf, each subject valued six randomly selected alternative wines. Participants also completed a survey and a wine quiz. The observations on participants’ uninfluenced wine choices (made prior to being approached by researchers) and valuation data for the six alternative wines form the evidence for this research. I demonstrate that high knowledge consumers value their own choices more than low knowledge consumers.

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**Risk Elicitation and Portfolio Allocation: The Effect of Market Environment**
Growing empirical evidence suggests that experience has a large role in determining agents' risk preferences. The market environment during and following the financial crisis has been in a “new normal” state, which, along with investors' risk appetite, has shaped agents’ asset allocation decision. The aim of this paper is to estimate the change in agents’ risk attitudes as a result of experiencing a highly volatile decision making environment reminiscent of the market state during and following the financial crisis. In a lab setting, subjects’ risk attitudes are elicited before and after an asset allocation task in which treatment is assigned by varying the volatility and mean of the payoff space experienced in the treated groups. The experiment is meant to serve as a supplement and a short-run investigation to findings in Malmendier and Nagel (2011) who found a lasting long-term effect on risk attitudes due to experiencing the great depression.

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The Case of Unintended Consequences: Why Understanding Consumer Behavior is Essential for Policy Makers

In 2012, Denmark repealed the world’s first fat tax one year after the tax’s introduction. During that year, Danish citizens crossed the border to purchase their favorite foods at lower prices and even settled for purchasing generic brands of foods high in saturated fat. This tax, and the response, is indicative of a major issue generally overlooked by policy makers: consumer behavior is a function of income, prices, preferences, and psychology. In this presentation, I will show results from field studies in which I document consumer responses to popular policy instruments on food such as taxes, subsidies, and restricted access. I will then discuss the underlying behaviors driving these responses and the resulting implications. Finally, I will identify practical, policy relevant solutions and why these solutions are not prone to fail like more restrictive policies.

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A Welfare-Tradeoff-Ratio Model of Other-Regarding Preferences

This paper introduces a model of other-regarding preferences based on the welfare-tradeoff-ratio (WTR) concept from evolutionary psychology. The model features a single parameter representing an individual's disposition to share resources with others and is characterized by a very simple utility maximization condition when allocating a fixed endowment. The disposition parameter depends on (beliefs about) others' kindness, capturing the basic principles of reciprocity. The model is generally consistent both with inequality aversion as modeled by Fehr and Schmidt (1999) or Bolton and Ockenfels (2000) and with welfare concerns as modeled by Charness and Rabin (2002) and is able to reconcile inconsistent results from experimental tests of these models (e.g. Engelmann and Strobel 2004). The WTR-model is also consistent with and often predictive of other behavioral phenomena such as ultimatum game rejections, back transfers in trust games, or betrayal aversion.

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The Hidden Benefits of (Partial) Job Security - A Theoretical and Experimental Analysis of Carmichael's Tenure Model
Tenure is a defining, yet highly controversial characteristic of academic employment. While critics claim tenure removes most incentives for productive research or good teaching and impedes organizational change, its defenders hail tenure for preserving academic freedom. A different benefit of tenure was suggested by Carmichael (1988), who argues that tenure incentivizes senior academics to supply truthful information about junior academics’ abilities. We use Carmichael’s explanation to develop a simple game-theoretic model of the incentive effects of different academic employment regimes. The theory suggest that the most efficient setting is either tenure or an employment protection regime that provides job security as long as performance does not drop below a minimum threshold. When examining the predictions of the model experimentally, the results largely corroborate the theory. However, we also find systematic deviations from the equilibrium path that suggest possible unintended consequences of certain settings.

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The Pull of Popularity: Explaining Conformity in Student Behaviors

Economists and sociologists have worked to understand how individuals are affected by their peers. In contrast to most existing literature on social interactions, this paper posits a model with endogenously determined popularity that provides a novel, micro-founded mechanism for explaining conformity to group behavior. Testing model assumptions and predictions with Add Health data, the empirical work follows two steps: (1) predict unique popularity-maximizing behaviors for individuals using coefficient estimates from a bivariate probit model of friendship formation; and (2) estimate behavioral equations using two-stage least squares. The instrumental variables exploit exogenous variation in individual characteristics relative to the demographic composition of the grade and school to identify differences in the behavior that would maximize popularity. This paper finds statistically significant weights on popularity-maximization that are consistent with a model in which students use behaviors to gain friendships. These results caution against taking a network position as exogenous in models of peer effects.

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Low-Income Caregivers Perceptions of Economic Strain and Its Influence on Childhood Obesity

It is known that experiencing financial hardship can lead to both higher maternal and child body mass index, but research has yet to explore the effect of caregiver’s perception of their economic status. Low-income caregivers (N = 432) of preschoolers (ages 3-5) were interviewed using the Family Economic Strain Scale and height and weight measurements were taken. Analyses revealed a moderating effect approaching significance on caregiver BMI classification by caregiver’s perceived economic strain on child’s BMI. At low levels of perceived economic strain, caregiver BMI classification had no effect on child BMI z-score for normal weight, overweight, or obese caregivers. Thus, reduced perception of economic strain may act as a buffer to the negative physiological effect of maternal overweight/obesity and its connection to child weight status. Merging nutrition education with behavioral economics could allow for more effective outreach programming.

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Strategically Influencing Expectations: Endogenous Reference Points in Contracts
In this principal-agent moral hazard model, the agent's reference point is determined by rational expectations (Közegi & Rabin, 2006). The principal (she) takes into account that by designing the incentive contract for the agent (he), the stochastic reference point of the agent is determined. Based on the incentive contract, the agent expects to provide some effort, which he will follow through in a personal equilibrium (PE). As several personal equilibria might exist, the principal, being able to strategically influence the expectations of the agent can choose the PE which is most beneficial for her. This leads to high effort for lower payments compared to the standard model.

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*The Effect of Extrinsic Motives on Non-economic Motives: A Real Effort Experiment*

This paper evaluates the effect of using performance-contingent payments on non-economic motives of agents in a real effort experiment. We compare effort provision without payment, with a fixed payment and with a variable payment. When only penalties or bonuses are expressed with respect to the base wage, we find a significant crowding-out of non-economic motives. In contrast, expressing bonuses for higher performance levels only has a positive short-term effect on total effort supplied. Combining both penalties and bonuses in one frame has the largest total effect on effort and is the most economically efficient. Different levels of ability, self-perceived difficulty and self-perceived pleasure do not, in general, influence the magnitude of the results.

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*Breast Cancer Screening and the Elimination of Patient Cost-sharing: An Early Look at the ACA’s Preventive Service Reforms*

The Patient Protection and Affordable Care Act (ACA) eliminated patient cost-sharing for preventive services in an effort to increase use. There is an extensive literature documenting decreases in use associated with increases in cost-sharing, but relatively few studies examining the reverse (aka value-based insurance design, in which insurance plans eliminate cost-sharing for high value services). Using data from a large integrated delivery system offering care for Medicare Advantage beneficiaries, we examined trends in annual screening mammography among 38,441 continuously enrolled (2006-10) female beneficiaries age 50-74 whose mammography cost-sharing dropped from $20 to zero in 2010 (as called for by ACA), compared with 31,592 who consistently had free mammography throughout the study period. During the study period, national guidelines also shifted from encouraging screening as frequently as annually to biennial screening. We used linear regression models with a patient-level fixed effect to estimate the change in proportion of subjects receiving annual mammography screening. We used inverse probability, propensity score weighting to account for differences between the two cost-sharing groups in baseline age, race/ethnicity, neighborhood socio-economic status, risk score, and medical center. We also stratified analyses based on county MA reimbursement levels, which corresponded to overall historical benefit generosity. Between 2007-09, these historical trends in annual screening rates were comparable (not statistically significantly different) between both study groups. In multivariate analyses, annual rates were 1.1 percentage points higher among female beneficiaries experiencing the elimination of cost-sharing (2009-10 change, 95%CI: 0.1-2.0 percentage points), compared with women with constant, free mammograms during the same time. Sensitivity analyses examining biennial
mammography screening rates yielded similar findings. Elimination of cost-sharing for mammography changed screening rates only modestly. This suggests that the ACA’s mandated provision of free preventive health care services alone is unlikely to materially increase use.

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*Prosocial Incentives: Limits and Benefits of Working for Others*

Optimizing incentive schemes to increase effort provision is an important design question for firms, governments, and other organizations. However, standard self-benefiting monetary incentives have been shown to backfire, particularly when the payments are low (Ariely, Bracha and Meier, 2009; Deci, 1971; Gneezy and Rustichini, 2000; Heyman and Ariely, 2004). Recent work has demonstrated that individuals report greater happiness when spending money on others than when spending on themselves (Dunn, Aknin, and Norton 2008). Building on these findings, we use a combination of lab (studies 1 and 2) and field (study 3) experiments to compare the effectiveness of prosocial incentives, where effort is tied directly to charitable contributions, to standard, self-benefiting. We hypothesize and show that when incentives are low, individuals will exert more effort under a prosocial incentive scheme than under a standard incentive scheme. However, when incentives go up, individuals work harder under standard incentives but do not adjust effort when the money is donated to others. Additionally, we demonstrate that individuals are more likely to select into prosocial incentive schemes—especially in public.

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*When Do Punishment Institutions Work?*

In some social dilemma situations, the availability of a punishment option improves outcomes, while in other cases it worsens outcomes. We use an experiment to understand why. Starting from a gift exchange game with punishment typical to that literature, we modify punishment’s power and timing (whether punishment is committed-to before or after the punishee acts) to replicate punishment typical in public good games. When punishment is pre-committed-to, power matters: low-power punishment backfires (reduces cooperation), although this is explained by lower wages; high-power punishment does not increase cooperation relative to the no-punishment baseline but increases cooperation relative to low-power punishment even controlling for wage and punishment chosen. Timing matters, too: when punishment occurs after the fact, it is used less and cooperation does not increase, contradicting the public good literature. Subjects move toward money-maximizing Nash behavior over time. The option to punish never increases social surplus and often decreases it.

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*What Good is Neuroeconomics?*

Neuroeconomics studies neural states of affairs that occur when humans behave. Potentially, neuroeconomics can shed light on the factors involved in a choice, but only if the experimental design, implementation, and interpretation are based on a precise, systematic, and comprehensive framework encompassing the entire range of possible behavioral facts involved. Without such a framework, one can never know what independent variables have not been recognized (and
therefore not controlled), or what theoretical assumptions are being used unknowingly in interpreting the results. The currently accepted framework for economics and behavioral economics, consisting of the ideas that a) choice is choice of outcome, b) behavior is simply the process that produces the result, c) “value” is synonymous with “prudential value,” as measured by money, and d) decisions are arrived at by an “internal” process influenced by an unstructured collection of “biases”, is inadequate. We present an alternative, the homo communitatis paradigm, and show how it is the natural framework for neuroeconomics work, one that enables the achievement of neuroeconomics’ full potential.

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F&%@ You Very Much! Monetary Efficiency Gains through Responder Feedback

Non-monetary punishments are fairly well understood. Research repeatedly shows these types of punishments induce pro-social behavior in variety of contexts. We extend our current understanding of non-monetary punishments using an ultimatum game. We deviate from previous work by introducing the possibility of unrestricted feedback from responders to proposers after an observed offer. We find the possibility of unrestricted negative feedback from responders to proposers significantly increases amounts sent by proposers. The effect of feedback is significant statistically and very large in magnitude. Additionally, we show the intensity of feedback is directly related to amounts sent by proposers.

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Social Preferences and Moral Emotions: The Role of Gratitude in Promoting Rewards and Cooperation

Economic theorists increasingly emphasize the role of emotions, specifically moral emotions, in directing decisions during social dilemmas. Moral emotions are indeed deeply linked with concepts like fairness, reciprocity along with moral and social norms, that have emerged as crucial determinants of human behavior when agents interact socially. Nevertheless, among moral emotions, it is mostly the negatively valenced ones (righteous anger, guilt and shame) that have been put under the lights. The purpose of the paper is to present a model that takes into account the influence of such emotions, but which is also aimed at integrating the crucial role of a positively valenced moral sentiment: gratitude. Thereby, the proposed formalization belongs to the huge and flourishing literature of social preferences though providing original specifications as this model is able to explain, for example, why rewards may help encourage cooperation in the public good game.

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A Behavioral Economics Explanation for the Zero Employment Effect of a Minimum Wage

The law of demand is one of the most fundamental propositions in economic theory and textbooks regularly illustrate it by showing that employment should decline in response to a minimum wage. Two meta-analyses, however, find the employment effect is approximately zero. The neoclassical reconciliation is to argue the empirical studies are incorrectly specified and therefore hide the true negative effect. The argument advanced here is that it is the theory which
is flawed. The critical weak spots are (1) the indivisibility between labor services and the labor supplier, (2) the incomplete nature of employment contracts, and (3) labor effort is a function of psychological properties of motivation, volitional choice, and social interdependency. In a graph, the result is that the labor demand curve changes from a thin line to a band and over a range may have a zero employment effect.

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Norm-Dependent Utility in Games

We consider the behavior of agents in extensive form games with observable actions. We define the notion of a social norm in an extensive game together with norm-dependent utility which depends on material payoffs, social appropriateness of actions in the game, and a single parameter measuring propensity to follow rules. We demonstrate how all the ingredients of the utility function can be measured from behavioral data using specifically designed tasks. We show experimentally how our framework can be used to explain the choices in the Dictator game, as modulated by the parameters of the utility function, as well as shifts in behavior due to experimentally induced changes in social norms. Furthermore, our framework allows to model framing effects in games. We theorize that frames influence behavior by changing the social norm associated with the game. Using Ultimatum games with different frames we demonstrate that our utility specification explains otherwise incomprehensible differences in strategic choices of the Proposers in two games.

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How genuine is our generosity? Using social information to discover why people give to charity

I investigate the role of social information in contributions to a charitable organization. Participants of a laboratory experiments earn money by completing real-effort tasks, and are invited to donate part of their earnings through a two-step solicitation: first, participants indicate whether they wish to donate; then, if they answered affirmatively, they state the amount they wish to contribute. Information about a previous participant's donation of $5 (a relatively high amount) is presented either in step 1 or step 2. I find that individuals who are selfish or who are spuriously generous—as measured by their decisions in a dictator game with an exit option—decline to donate when information is presented in step 1, but give substantially when the information is presented in step 2. Genuinely generous participants are unaffected by the timing of the information. I describe how standard theories of impure altruism and quality signaling cannot explain these findings. I propose a model of self-image concerns, or reference-dependent warm glow, to characterize the findings.

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Rockets and Feathers in Gas Markets: An Experiment

Rockets and Feathers’ is a well-known phenomenon in markets, where prices respond stronger to positive cost shocks, compared to negative cost shocks. As a result, prices rise faster than they fall. We investigate ‘Rockets and Feathers’ in gas markets experimentally by simulating gas markets with buyers (drivers) and sellers (gas stations) in the lab. First, we manage to create Rockets and Feathers in the lab. Then, we show that increasing competition has a positive effect.
on price asymmetry. Positive effect is also present when buyers do not have complete information on gas prices. We also show that rare events with a major effect on prices do not affect price asymmetry, although buyers do change their demand preferences prior such events if they are aware of them. We show that buyers increase their demand before a major positive shock, but do not decrease it before a major negative shock.

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*Uncovering Preferences: A Theoretical Framework and an Experiment*

We study how agents learn and discover their preferences through consumption experience. In addition to a model combining Bayesian learning and myopic expected utility, we propose different learning and decision models accounting for behavioral and economic factors: over/under-reaction to information (Epstein, Noor and Sandroni 2009), post-decisional cognitive dissonance (Festinger, 1957), risk attitude, forward looking behavior, and taste acquisition. We also conduct a novel laboratory experiment in which subjects make repeated music choices, each followed by a consumption experience and rating. We find evidence of preference learning which is best explained by a myopic Bayesian model with random exploration in which agents under-react (over-react) to new information when facing familiar (unfamiliar) goods. No added value is obtained from other models. Finally, we find that the substantial heterogeneity across subjects can be explained in large part by gender, age, and two personality traits (among the “Big 5”), openness and conscientiousness.

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*Common Identity and the Voluntary Provision of Public Goods: An Experimental Investigation*

We conduct a framed field experiment in two Dallas neighborhoods to examine how common identity affects individual contributions to local public goods. The participants’ common identity is primed to make neighborhood membership salient before individuals make donations to local non-profit organizations. We find that the effect of the identity prime is sensitive to community context, increasing the likelihood of giving in the mid-income neighborhood, but decreasing giving in the poor neighborhood. The impact is statistically significant for women, but not for men, and is partially mediated by individuals’ beliefs about whether others in their neighborhoods give.

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*Altruistic Punishment in the Face of Direct Externality and Selfish Temptation*

It is well documented that a third party is willing to incur personal cost to uphold social norm by punishing a norm violator. We experimentally explore the motivation behind altruistic punishment in the presence of direct externality. Two competing hypotheses are tested, namely retributive justice and distributive justice. Our results support the former. We also investigate to what extent the apparent willingness to punish is genuinely motivated by the desire to uphold the norm. To do so, we conduct a treatment whereby the third party is given an opportunity to enrich herself under the veil of punishing the norm violator. We find that almost all third parties succumb to this temptation and redirect the payoff reduction resulted from the punishment
imposed on the norm violator to themselves. It shows that the incentive to uphold social norm is flimsy and can easily be undermined by the presence of a wicked temptation.

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**Inequity Aversion Alters Risk Attitudes**

Misery loves company. In this paper we find that inequity aversion (the change in behavior out of a desire to avoid unequal outcomes) can alter risk attitudes and, in particular, can mitigate loss aversion (the change in behavior and risk attitudes out of desire to avoid losses). Essentially, having someone to take a loss with removes some of the pain of losing. A model of decision making under risk in social context is constructed and tested empirically in laboratory experiments. Social context is understood as the ability to affect, as well as to observe choices and outcomes of others.

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**Empathy Conservation: Toward Avoiding the Tragedy of the Commons**

Garrett Hardin pointed to the fact that often individuals with unrestrained access to the commons, e.g. an aquifer, a fishery, perhaps even the atmosphere of this spaceship Earth on which we travel together, would result in the “tragedy of the commons.” The tragedy arises from an egoistic-hedonistic based self-interest only orientation to the commons. This paper explores the role of empathy in tempering self-interest only outcomes, as suggested by the metaeconomics framework (MEF) and dual interest theory (DIT). Empirical testing of MEF and DIT using the dual motive (empirical) model (DMM) suggests the tragedy can be avoided with adequate expressions of empathy, followed by joining in sympathy with the shared cause. This leads to an other (shared)-interest in conservation. DMM testing illustrates support for MEF and DIT and suggests the real possibility for empathy conservation to avoid the tragedy in the cases of farming practices and consumer recycling behavior.

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**Financial Loss Aversion Illusion**

We test the proposition that investors' ability to cope with financial losses is much better than they expect. In a panel survey with real investors from a large UK bank, we ask for subjective ratings of anticipated returns and experienced returns. The time period covered by the panel (2008-2010), with frequent losses and gains in the portfolios of investors, provides the required background to analyze the involved hedonic experiences. We examine how the subjective ratings behave relative to expected portfolio returns and experienced portfolio returns. Loss aversion is strong for anticipated outcomes with investors reacting over twice as sensitively to negative expected returns than to positive expected returns. However, when evaluating experienced returns, the effect diminishes by more than half and is well below commonly found loss aversion coefficients. It seems that a large part of investors' financial loss aversion results from a projection bias.
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How Will Others Play This Game?: Evolving Beliefs in a Strategy Method Centipede Game

Centipede games and finitely repeated prisoners' dilemma (FRPD) games fall into a class of game in which the unique Nash equilibrium features immediate defection. Nevertheless, experimental data from the past few decades indicates that experimental subjects playing such games play cooperatively for several rounds before defecting, with defection occurring increasingly sooner as the games are repeated during the session. I examine whether such behavior may be explained by heterogeneous beliefs about other players' beliefs and preferences. I conduct a strategy method centipede game and solicit subjects' beliefs about other players' strategies. Observed patterns of behavior are qualitatively similar to those observed in past centipede game and FRPD game experiments. I find that subjects' choices are better explained by their revealed beliefs than by their past experience. Furthermore, beliefs evolve over time and in response to past experience and become increasingly accurate, even as player strategies change.

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A Cold Shower for the Hot Hand Fallacy

The hot hand fallacy has long been considered a massive and widespread cognitive illusion with important economic consequences. While the canonical domain of the fallacy is basketball, which continues to provide its strongest and most readily generalizable supporting evidence, the fallacy has been considered as a candidate explanation for various economic and financial anomalies. We demonstrate, in its canonical domain, that belief in the hot hand cannot be considered a fallacy. Our identification approach is to design a controlled shooting field experiment and develop statistical measures that together have superior identifying power over previous studies. We find substantial evidence of the hot hand, both in our study and in all extant controlled shooting studies, including the seminal study. In light of this discovery, we reexamine the evidence for the hot hand fallacy in other domains and reevaluate whether the hot hand fallacy is an economically meaningful cognitive illusion.

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Gender, Bargaining Power and Demand for Energy Efficient Technologies: Evidence from Rural Ethiopia?

Experimental evidence from rural Ethiopia  We conducted a real stove purchase experiment in rural Ethiopia to study the role of gender differences in preference and wives’ (husbands’) autonomy (autocracy) in explaining the observed surprisingly low household level demand for improved stoves in Ethiopia. Using the Becker-DeGroot-Marschak (BDM) experiment method, we find that wives generally have higher demand for the improved stove than husbands. However, we also find that non-autocratic husbands have as high demand as autonomous wives. For a patriarchal society, such as rural Ethiopia, the result explains the coincidence of low observed household demand for improved stoves and husbands’ very low preferences for the stove. These findings imply that rural improved stove programs may not be successful if we ignore these power imbalances and the low preferences of husbands. Including attributes in the
improved stove that can be valued by men can be taken as a breakthrough for dissemination of improved stoves.

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Inequity Aversion Alters Risk Attitudes

Misery loves company. In this paper we find that inequity aversion (the change in behavior out of a desire to avoid unequal outcomes) can alter risk attitudes and, in particular, can mitigate loss aversion (the change in behavior and risk attitudes out of desire to avoid losses). Essentially, having someone to take a loss with removes some of the pain of losing. A model of decision making under risk in social context is constructed and tested empirically in laboratory experiments. Social context is understood as the ability to affect, as well as to observe choices and outcomes of others.

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Perceptual Priors Decoded using the Drift-Diffusion Model Predict Beliefs in an Investment Task

A critical component of decision-making under uncertainty is the ability to form beliefs and expectations over uncertain events. Although a vast amount of research has been devoted to this topic, most work has studied belief formation in economic and perceptual decision-making under uncertainty in isolation. One reason for this separate treatment may be the implicit assumption that there are distinct psychological mechanisms that underlie belief formation in economic and perceptual decisions. An alternative theory is that there exists a common computational model that describes belief formation in both domains. Here, we test this alternative theory by combining a novel computational modeling technique with two well-known experimental paradigms, one from experimental economics and one from perceptual neuroscience. In order to measure trial-to-trial beliefs in the perceptual task, we estimate a drift-diffusion model (DDM) and provide an analytical method for decoding prior beliefs from the estimated DDM parameters. This technique allows reaction times to be mapped into precise prior probabilities. We found that a common computational model could explain belief formation in both tasks, and that individual differences in belief formation were correlated across tasks. Our results provide evidence for a common psychological mechanism that governs belief dynamics across different decision domains.

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Probability Weighting in Recursive Evaluation of Two-stage Prospects

This paper reports the results of an experimental investigation of how individuals evaluate two-stage prospects relative to single stage ones. We estimate two models. Based on recursive expected utility, the first model endows the traditional expected utility model with more flexibility by allowing for a "transformed" evaluation of second stage prospects. While such flexibility can theoretically absorb discrepancies from reduction of compound prospects, our data show that it cannot capture the whole complexity of two-stage prospects evaluation. The second
model consists in a flexible version of prospect theory, called recursive prospect theory, where individuals can use stage-dependent probability weighting functions. Our results show that second stage probability weighting is significantly influenced by the winning probability in the first stage. This finding persists (albeit differently) when ambiguity is injected in the second stage of compound prospects.

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A Consumer Choice Theory Incorporating Behavioral and Spiritual Wisdom

Why are there tabloids and gossip media? Why does it seem people are obsessed with the rich and the famous? Does the desire to be something that is so out of reach correlate to depression, suicide and other individual and societal ills? Are people misinformed to believe that if they buy expensive items that they will fit in socially? Can a new set of information that readjusts consumer thinking lead to a paradigm that steers clear of the rich and famous and towards more realistic means?

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The Effect of Early and Salient Investment Experiences on Subsequent Economic Behavior: An Experimental Study

This study examines the influence of early and outstanding events on subsequent investment decisions through an experiment in which participants had to allocate their portfolio between cash and stocks. Subjects were split into two groups and experienced the same returns’ stream but in different order for a twenty years period. The Up group began with a boom, while the Down group began with a bust. The Down group held 9% less in stocks than the Up group, implying that an investor’s early and salient risky asset return experience strongly influences later investment decisions. The effects of the early salient booms and busts are more vivid during the investment periods that took place after the shock. Specifically, although the Down group experienced stock returns equal to 14%, it held 7.16% less in stocks both relative to any other periods or to what the Up group invested.

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Pro-environmental Behavior and Demand for Green Products

I develop a model of pro-environmental behavior from warm glow motivation for individuals who derive utility from the act of such behavior and examine the voluntary provision of environmental quality that may be achieved by consuming green products and reducing common goods that can have detrimental effect on environment. In the model, I assume that pro-environmental behavior is also exerted by giving donations to enhance the environmental quality. Individuals have different degrees of pro-environmental intensity and provide the optimal amount of public good as a function of this intensity. The equilibrium is solved both in static and dynamic model to show how the demand for green product depends on preferences of the individuals, as well as the relative price of these products. In a two-period model, it is shown that the relative demand for green goods to common goods in the first period is always bigger than the second.
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*Conditional Reasoning and Belief Formation in Auction Games*

Based on experiments with computerized opponents, it has been argued that the winner’s curse in auctions is due to the cognitive difficulty of conditioning on future events which might hamper the formation of beliefs (Charness and Levin, 2009; Ivanov, Levin and Niederle, 2010). Our study compares experimental results from a very simple auction game with results from a strategically equivalent game that does not require any conditioning on future events. This experimental design allows us to study the importance of this cognitive activity and the role of belief formation in a human subject setting. We observe significant differences in behavior across the two games, supporting the above-mentioned view on conditioning. In both settings, when facing naïve computerized opponents, subjects’ play changes strongly. Overall, the results suggest that both the difficulty of conditioning on future events as well as the need to form or evaluate own beliefs alter behavior significantly.

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*Fundraising through Online Social Networks: A field experiment on Peer-to-Peer Solicitation*

Two main reasons why people donate to charity are that they have been asked and asked by someone they care about. One would therefore expect that charitable organizations could benefit from peer-to-peer fundraising if they were able to persuade donors to do so for them. However, little is known on the costs and benefits of asking donors to fundraise. We investigate this by implementing a field experiment embedded in an online giving organization’s web page. In our experiment, donors who have completed an online transaction were randomly asked to share having donated by posting on their Facebook (FB) wall or by sending a private message to a friend on FB. To further explore the impact of incentives on the willingness to fundraise, donors were also assigned to one of three treatments in which the organization added either $0, $1 or $5 in the donor's name in exchange for sharing the information. We have several findings: (1) Donors respond to incentives: larger add-on donations increase the willingness to post having made a donation. (2) Nuisance costs may be important: willingness to post is over two times higher among those already logged into FB. (3) The type of ask matters: willingness to post via one’s wall or via a private message is different. (4) There are benefits to incentivizing peer-to-peer fundraising in increased new donations.

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*The Effect of Feedback in Charity Auctions*

It has been shown that the types of feedback provided to participants can significantly affect behavior and therefore the outcome. We explore the effect of two types of feedback on the performance of charity auctions: in one treatment subjects are given current amounts raised by each charity; in another treatment subjects see top individual contributions. We employ a lab-field experimental design where a portion of revenue raised in laboratory auctions is donated to actual charities chosen by participants. Subjects also have an option to make a donation to a charity of their choice from own experimental earnings. We find that both types of feedback lead to more aggressive bidding and higher price (compared to control with no feedback). The effect
is stronger in charity level feedback. Both types of feedback lead to more diverse charity choices by participants. Donations are largest in charity level feedback and lowest (even compared to control) in a subject level feedback.

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*Separating Risk Preferences from Ambiguity Preferences*

Previous studies of decision making under uncertainty investigated the environments involving risk and ambiguity separately. This paper reports results of an experiment where subjects face uncertainty about possible states and can, from sampling, approximate their likelihoods. There is a range in the amount of sampling where decisions under ambiguity are qualitatively different from when a situation is perceived as risk. There is heterogeneity in ambiguity preferences, risk preferences, and in subjects’ propensity to identify uncertainty as closer to risk or ambiguity. The results of the experiment inform on the connection between these two frameworks of modeling uncertainty and the applicability of existing models to explain subjects’ choices.

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*Longitudinal Continuity in Personality and Behavior across Situations*

This paper addresses an issue in personality psychology and economics: whether there is continuity in a person's behavior across situations and over time (McAdams and Olson, 2010; Almlund, Duckworth, Heckman and Kautz, 2011). We report evidence of continuity between aspirations elicited in stories about two situations pictured in a Thematic Apperception Test, choices made in an experiment (May, 1954; Phelps, 1980, 1988) and subsequent choices in the housing market. [1] The first picture showed two people (same gender) in a work situation. The second showed a man and woman in a leisure situation. The experiment required choices between three hypothetical marriage partners, differentiated by endowments of intelligence, looks, and wealth. The design required choices between conflicting alternative pay-offs. A model of their choices in the experiment explains differences in the purchase price of their houses and differences in the market values as of November 2011. Principle findings: 1) Men and women who had high aspirations for achievement and affiliation revealed a preference for the very intelligent mate and settled in Philadelphia. (2) Men and women who had high aspirations for power revealed a preference for the very good looking mate. They owned the most valuable homes. A significant number of them moved away from Philadelphia. (3) Men and women who wrote TAT stories that were scored fear of power bought their homes during the housing bubble and had capital losses as of November 2011.

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*Why Do Gamblers Buy Insurance?---An Ambiguous Explanation*

In their seminal paper, Milton Friedman and Lionel Savage (1948) offered what has become the standard explanation for why the same person might buy insurance and gamble. The standard explanation is the consumer is not merely risk averse with diminishing marginal utility over all money income levels, but rather is risk seeking with increasing marginal utility over a range of higher income levels. Here, we show some ambiguity together with some ambiguity tolerance offer an alternative explanation. A consumer can be risk averse with diminishing marginal
utility over all income levels, very risk averse, and only slightly ambiguity tolerant when there is only a small amount of ambiguity, and yet prefer to gamble if the potential gain is large enough. In general, the decision whether to gamble or buy insurance for a risk averse consumer depends upon the degree of ambiguity, the degree of ambiguity tolerance, and the potential gain.

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Dimensions of Household Economic Security

The purpose of the paper is to build a structural equation model (SEM) in which economic security of households is a main endogenous concept. The model is used to evaluate the relevance of economic security dimensions for groups of households with different educational levels. Economic security of households is defined as the ability to achieve income necessary for covering household needs at its suitable level and to create financial reserves to be at disposal in case of unfavorable accidence (sickness, job loss, family breakdown) and it is described in the model by its latent dimensions and its measured variables. The paper uses the data from the questionnaire survey carried out across households in Poland in 2013 by the professional polling agency. The whole sample (N=1082 households) is broken into four sub-samples to represent households with the different educational levels. Exploratory and confirmatory factor analyses are applied to estimate the SEM.

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Testing for Constant Absolute and Relative Ambiguity Aversion

Does ambiguity aversion change when individuals become better off overall? We introduce an experimental test of constant absolute ambiguity aversion and constant relative ambiguity aversion based on axioms from Grant and Polack (2013) and Chateauneuf and Faro (2009) respectively. The test is performed using Ellsberg’s 3-color and 2-color urns. We also consider an extension of the Ellsberg examples to natural uncertainties by modifying Ellsberg urns such that their composition depends on the realization of a natural event. We classify subjects as decreasing/constant/increasing absolute (relative) ambiguity averse and we discuss the implications of our results.

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Wage Rate and Deposit Effects on Leisure: A Stock Market Empirical Approach

This paper majors to analyze how wage rate and deposit affect on leisure in stock market. We establish our Leisure Model from Capital Asset Pricing Model (CAPM) and Fama-French Three-Factor Model and develop a method to test wage rate effect and deposit effect. As for data, the stocks on the market are divided into 49 categories and 5 of them are related with leisure, that is, Soda, Beer, Toys, Fun and Books. In addition, we apply both daily and monthly data in our analysis. Finally, we get 4 major results. Firstly, goods and consumptions related with portfolio Soda are Cheap Goods in both short and long run, and ones related with portfolio Beer are also Cheap Goods in short run. Secondly, as for Fun, the wage rate effect is negative in the daily data and then is positive in the monthly data. Thirdly, both the wage rate and the deposit effects are insignificant for Toys and Books in the long run. Fourthly, in total, both the wage rate and the
deposit effects are more significant in short run. Besides, deposit effects are generally positive, and are most significant in 30 days deposit time period with daily data.

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*A Multi-factor Model of Heterogeneous Traders in a Dynamic Stock Market*

This study builds a computational stock market model, which is simple but quite flexible for variety of extensions that allow us to investigate numerous dimensions of stock market dynamics, within a multi-agent setting. In the model, traders are designed to allocate their wealth between two assets based on heterogeneous selection of information set. The information set affecting trader portfolio choice includes firm profitability, past stock price movements, and investment behavior of other traders with which a trader interacts. The model provides a flexible computational platform upon which the number of factors could be varied by modeler's discretion and endogenous selection of factors could be easily implemented. Simulation findings demonstrate that this model can generate many stylized facts regarding stock returns and volume of trade. The results also show that if all traders only take account firm profitability, and the dividend process is non-stationary, then long memory traders create a more volatile stock return process than short memory traders. For the stock market with traders who care about only past stock return, stock prices fluctuate in a cyclical pattern marked by no-trade state at the height of stock prices. On the other hand, if the market is populated only with mimetic traders, the stock market collapses to a no-trade state after a few exchanges. Given traders who equally weigh three factors simultaneously, the fat-tail property in stock returns is more pronounced than pure dividend factor trader, while stock return volatility decreases. The findings also suggest the importance of trader memory length for determining the stability of stock prices in response to earnings shocks.

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*Intuitive Generosity and Error Prone Inference from Response Time*

We are frequently tempted to make choices that our future self would disapprove of. In the case of charitable giving it is, however, unclear whether the selfish or the generous act is viewed as being tempting. When asked for help, is the intuitive response one of generosity or is a more calculated process needed for us to part with our hard earned money? Rand, Greene, and Nowak (2012) try to answer this question by examining the correlation between contributions in a public good game and the time it takes individuals to make a decision. As evidence that generosity is intuitive they show that fast decision makers are more generous than slow decision makers. They conclude that the temptation lies in helping, and that time is needed to control the instinctive impulse to cooperate. We argue that caution is warranted in reaching this conclusion and note that error may be an important confound in the classic linear public good game. Examining public good games with interior dominant strategy equilibria we replicate the Rand et al. finding when the equilibrium is located toward the bottom of the strategy space, but find the opposite correlation when the equilibrium is located toward the top of the strategy space. Fast decision makers are less generous than slow decision makers when the equilibrium is toward the top. Our results demonstrate that the correlation between response time and generosity is sensitive to the decision environment. We argue that a negative correlation between response time and
contributions may not reflect ‘spontaneous giving’, but rather the fact that confused participants quickly select a contribution that lies, on average, in the middle of the strategy space."

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*Intentions and Cooperation: Cooperation and Fairness in a Sequential Prisoner's Dilemma with Nature*

This paper investigates the importance of concerns about intentions and outcomes in a sequential prisoner's dilemma game with nature. In the game, there is a chance that the first mover's choice is reversed. This allows the separation of intended actions from the resulting outcomes. A mixed-concerns model is introduced that combines both intentions and outcomes into a single framework. Equilibrium predictions are tested experimentally by varying the chance the first mover's choice is reversed and whether the second mover observes the first mover's choice. The results show that second mover cooperation is higher when first movers have little control over their choices and when the second movers are not told what first movers chose. The results indicate that concerns about intentions and outcomes work in ways not predicted by current theoretical models. In addition, I find that psychometric measures of empathic concern and perspective taking are significant predictors of second mover cooperation.

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*Sensitivity towards Fear of Pain in Passive Threat Situations*

According to the somatic marker hypothesis (SMH), body-related signals play an important role in decision making. This theory requires at least some sensitivity of these markers towards the probability and severity of negative events. To which extent such a sensitivity exists is rather unclear. Therefore, the following study aims at a better understanding of the psychophysiological mechanisms underlying threat sensitivity by measuring skin conductance responses (SCRs) in passive threat situations. Our results indicate that anticipatory skin conductance responses (aSCRs) are higher preceding situations with a high probability for receiving an electric shock. This finding suggests that SCRs are able to code the likelihood of unpleasant events and hence might work in feedback loops in the decision making process as it is required by the SMH.

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*Rethinking Thinking, Fast and Slow*

Using the studies and ideas cited in Daniel Kahneman’s *Thinking, Fast and Slow*, this paper aims to construct a reasonable, evolutionarily-informed framework for the field of behavioral economics. It starts with the premise that the human brain evolved in a series of environments (collectively, E1) which produced cognitive adaptations that responded to stimuli relevant to reoccurring evolutionary problems. Presently, humans find themselves in conditions that they did not evolve to inhabit (E2) and are presented with an array of evolutionarily-novel stimuli. Consequently, the cognitive adaptations tend to respond to E2 stimuli as they would have in E1 and are averse to responding to E2 stimuli in ways more appropriate for E2. A large number of behavioral phenomena can be categorized as either these tendencies or aversions.
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*Complexity and Behavioral Economics*

This paper will consider the relationship between complexity economics and behavioral economics. A crucial key to this is to understand that Herbert Simon was both the founder of explicit modern behavioral economics as well as one of the early developers of complexity theory. Bounded rationality was essentially derived from Simon’s view of the impossibility of full rationality on the part of economic agents. Modern complexity theory through such approaches as agent-based modeling offer an approach to understanding behavioral economics by allowing for specific behavioral responses to be assigned to agents rather than assuming full rationality and allowing for agent interaction within this context. Other parts of modern complexity theory will also be considered in terms of their relationship with behavioral economics.

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*The Health Gradient and Self-Regulation*

The health gradient refers to the differential in health choices by observable individual characteristics. The empirical work in this paper seeks to estimate self-regulation and its effect on health gradients. Because an individual can exhibit a preference for a future outcome (time preference) only to the degree that they can resist the desire for immediate gratification (self-regulate) the concepts of time preference and self-regulation are closely aligned. This distinction is significant due to the limiting assumptions of time preference theory. The theory and empirical approach to self-regulation follows the psychology literature rather than the economics literature which has taken an ad hoc approach to noncognitive skills. In addition, a novel empirical technique is employed to create a single measure of self-regulation. A single measure of self-regulation allows for study of how self-regulation is correlated across different health choices and for the study of differences in self-regulation by education and demographics.

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*Risk Aversion Over Time: Experimental Evidence*

The evolution of risk aversion over time is an issue that has been insufficiently touched upon. We use a repeated risk experiment in Thailand to test possible determinants of risk aversion over time. We find that risk aversion changed between 2008 and 2013. Our results from a five years panel experiment show that both specific microeconomic shocks and also general macroeconomic conditions (financial crisis) shape attitudes towards risk. It is the combination resulting from adverse personal shocks, changes in well-being and the prevailing macroeconomic environment that determines changes in risk aversion.

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*How do Suggested Donations Affect Charitable Gifts? Evidence from a Field Experiment in Public Broadcasting*

A very common practice in direct-mail fundraising is to provide a set of suggested donation amounts to potential donors, in addition to the option of writing in an amount. Yet little is known
about if and how the set of suggested amounts affect giving behavior. Our contribution is a field experiment involving a direct-mail solicitation for three public broadcasting stations in which we varied (1) whether the suggested amounts were fixed, or linked to the individual’s previous donation and (2) the size of each suggested amount. We find that higher suggested amounts have a significant effect on the extensive margin (higher amounts affect the probability of giving), but not on the intensive margin (no effect on gift amount). In particular, higher suggested amounts lead to lower likelihood of giving for current members but no significant effect on lapsed members. Moreover, among those who give, higher suggested amounts lead to more write-in donations.

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Response Functions

We introduce and analyze a simple adaptive-learning-based model of decision making under uncertainty, and then use it to study subjects’ behavior in an experiment. Subjects choose between two uncertain payoff distributions, only knowing the support of each. In the first round they choose one alternative and experience a payoff as a result. In the second round they decide whether to choose the same alternative, or to switch. From each subject's responses we construct a response function, then use a mixture model to classify each subject into one of several classes of response function. Further, we explain classes' differing payoffs in terms of the interaction between the shapes of their response functions and the properties of the payoff distributions. This work constitutes a first step in modeling decision making when an individual does not have as clear an idea of alternatives' outcome distributions as has been assumed in the previous literature.

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Do Colluders Care About Consumers? Other-Regarding Preferences and Product Market Competition

We report the results of an experiment designed to test whether other-regarding preferences toward consumers can affect product market competition. In the baseline robot treatment two subjects (sellers) play a repeated duopoly quantity game. For the human treatment, a third anonymous subject is assigned the role of a passive consumer. The consumer’s payoff is zero when the managers successfully collude at low quantities, but positive otherwise. We find that sellers produce collusive quantities less frequently and earn lower profits in the human treatment. This treatment effect remains significant when we look at only the top earning markets.

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Sequential Observation and Selection by Committee: Theory and Experimental Evidence

We examine sequential observation and selection decisions by groups using the classic “secretary problem” formulation. Members of groups (players) hold uncorrelated ranks over a known number of searchable alternatives and independently make accept or reject decisions based on the relative rank of the current alternative. Players’ objective is to adopt the alternative with the best absolute rank. We consider three experimental conditions where individual decisions can be resolved by voting rules based on the number of members (m) of group size n who choose accept the alternative: minority (m>0), majority (m>n/2) and unanimous (m=n). We
present the equilibrium solution to the game and show how it can be extended for \( n > 3 \) players, simulation results, and results of an experiment with 144 financially motivated DMs. Experimental results show that subjects over-searched in each condition, used sub-optimal acceptance policies, and earned less than the expected value of the game.

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*Dictates, Ultimatums and Spousal Empowerment in Rural India*

We conducted artefactual field experiments in rural India with bargaining games in which two players bargain over division of an endowment. Eight treatments are played: in four we provide information that the other player is the spouse and in the remaining four variations spouse information is not provided. Both new variations are strategically equivalent to the dictator game since one player has the unilateral ability to determine the allocation yet the FM may instead choose to share decision-making power with the other. When subjects are unaware of playing with their spouses, they choose to keep the dictator role for themselves or not empower the other player. Male spouses make higher offers in general relative to female spouses. The divisions in these games (no spouse information) are actually far less equitable than traditional dictator games. Therefore we find support for subjects’ concern for distributive fairness but not procedural fairness.

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*Caste, Efficiency and Fairness with Public Goods and Common Pool Resources*

Experiments are reported with payoff-equivalent public good and common pool games. Behavior of high-caste and low-caste Indian villagers is compared with behavior of US students in terms of economic surplus foregone or destroyed by failure of cooperation in the public good and common pool games. Results from artifactual field experiments conducted in West Bengal, India indicate that when information about caste is withheld no significant difference is observed in the efficiency of play between the villagers and student subjects at American universities for both the public good game and the payoff-equivalent common pool game. In contrast, making the caste salient induces our subjects to behave differently compared to when caste is not made salient. Providing caste information leads to: (i) the lowest level of efficiency in homogeneous low caste groups and (ii) the highest levels of efficiency is attained in homogeneous high caste groups. Cross-caste play generates intermediate levels of efficiency.

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*Limitations to Signaling Trust with All-Or-Nothing Investments*

Many economic interactions are characterized by “all-or-nothing” action spaces. We investigated whether, by limiting a demonstrable index of trust, binary all-or-nothing investment opportunities affected the propensity to reciprocate. In two experimental trust games, the action space governing investments was manipulated to examine effects on investments and reciprocity. Our testable hypotheses were generated by a model in which agents’ initial propensity to trust and be trustworthy is heterogeneous and affected by psychological costs. We conjecture that trustees’ motivation to demonstrate trustworthiness is calibrated by the accuracy and confidence
with which they infer investors’ level of trust from displays, as affected by the granularity of the investor’s action space. We predict and find investors invested significantly more in the binary game than in the continuous game. More investment in the binary game did not lead to more reciprocity; conditional on investment of $10, trustees returned significantly less than in the continuous game.

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The Role of Affect in Investment Decisions: An Analysis of Private Equity Groups

This study utilizes an exploratory case analysis to examine the specific activities and decision-making processes surrounding private equity investments. Data was generated from semi-structured interviews and investment decisions at twenty private-equity groups. Rather than relying on a retrospective review of prior decisions, our analysis presents each decision-maker with teasers, a summary document that introduces an investment opportunity. Following prior research, our results indicate that decision-makers utilize various heuristics that guide selection and execution of their investments. We also uncover the role of affect: strong positive or negative responses to specific stimuli in the teasers. This partially reflected learning and feedback on investment experiences that led to the construction of such heuristics. Furthermore, affect, despite occurring rapidly and automatically, enhances decision efficiency in complex environments, given the breadth of proposals under review.

Brock Stoddard, University of South Dakota, USA (VIIb) brock.stoddard@usd.edu
Framing and Feedback in Social Dilemmas with Partners and Strangers

We study framing effects in repeated social dilemmas by comparing payoff-equivalent provision and appropriation games under varying matching protocols (partners or strangers) and levels of feedback (aggregate or individual). In the positively-framed provision game, players contribute to a public good, while in the negatively-framed appropriation game, players take from an existing public good. Preliminary results suggest that, while overall framing effects on average cooperation are small, there is strong evidence that male subjects free-ride more frequently under the appropriation frame. This effect is consistent across all matching and feedback treatments. Furthermore, we find that individual-level feedback leads to more extreme behavior (both free-riding and full cooperation), particularly among women.

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Evolving Norms

This paper presents a framework to study evolving norms between groups with different cultural backgrounds. The framework considers evolving norms as an endogenous phenomenon with a cognitive dimension. Different groups are characterized by different norms of behavior. Changes occur when groups with different cultural backgrounds begin to interact. Individuals choose either to imitate novel practices or to condemn them. Learning is the process by which experiences modify pre-existing behavior. The mechanism of evolving norms can be understood in the context of the human capacities to adapt to new sets of rules. While people want to follow
their original conventions, new sets of rules may enhance social interactions and facilitate economic exchanges. The original conventions constrain the repertoire of possible reactions to changes in the environment. Individuals may modify their mental models and alter their perceptions of the effects of alternative rules. Shifts in mental models change individuals’ action plans, which in turn leads to an evolving norm.

Shankar Thapa, Lincoln University, USA (VIb) ambition29@gmail.com
Measuring Non-monetary Component of Value in the approach of General Value

The recently published paper (Aityan, 2013) introduced the concept of general value which advocated that general value is composed of two components, monetary and non-monetary. Both components are taken into consideration in decision-making process based on the principle of maximization of general value rather than just monetary value. People assess the difference in general values and choose a scenario that offers a higher general value. The current paper aims measuring the non-monetary component of value. In the survey conducted among different groups of people, the respondents chose the job on the basis of general value rather than on monetary compensation only. It was shown that consideration of general value provides a more comprehensive measure for understanding decision-making process by human beings that takes into account objective and subjective and behavioral components.

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An Assessment of the Impact of National Employment Policies in Malta and the Possible Contribution of Behavioral Insights

This study draws on the principles of behavioral economics to reach an understanding of drivers, which lead to entrepreneurial decision-making, and focuses, in particular, on analyzing the variables which determine behavior in issues relating to the engagement of human resources. This preliminary research reveals that whilst in Malta policies are designed on the implicit assumption that individuals behave rationally, the decisions of individuals and, in particular, agents in the labor market, are based both on financial and non-financial motivation. Indeed, behavioral factors are crucial in shaping individuals’ preferences and decision-making. A longitudinal case study approach was chosen to explore entrepreneurial decision-making and actions when dealing with recruitment matters. The findings indicate that particularly due to conditions of bounded rationality, entrepreneurs are not solely driven by principles of rationality, particularly when they consider the short term implications of their decisions, but instead are heavily influenced by behavioral factors.

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Certainty and Overconfidence in Future Preferences

We examine consumer certainty of future preferences and overconfidence in predicting future preferences. Further, we analyze how preference certainty and overconfidence impact the option value to revise today’s decisions in the future. Our empirical analysis is based on a highly controlled environment, where the choice set (consisting of snacks) is known and constant over time, and the time frame is relatively short -- subjects make choices for themselves today, as well as one and two weeks ahead. Even for such a seemingly easy choice task, only 45 percent of
subjects are able to accurately predict future choices, while stated certainty of future preferences is around 80 percent (one and two weeks ahead). The difference between actual accuracy at predicting future choices and stated certainty of future preferences is defined as overconfidence in predicting future preferences. We find strong evidence of overconfidence, where overconfidence increases with the level of stated certainty of future preferences. Finally, we find that the option value people attach to future choice flexibility decreases with stated preference certainty and overconfidence. Overconfidence in future preferences may therefore have important welfare implications since it provides false incentives to lock in future selves to suboptimal decisions.

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Economic Conditions and Fertility Rates

We examine empirically the determinants of fertility in the US from 1948 to 2010 – in particular how economic conditions affect childbearing decisions through a positive income effect (through household wealth) and a negative price effect (through the mother’s opportunity cost of time). We find evidence consistent with these two channels – i.e. high male unemployment predicts a drop in fertility, while high female unemployment predicts an increase in births. The income effect dominates when we analyze the overall correlation with business cycles – in other words, fertility is pro-cyclical. As women entered the labor force in large numbers over this time period, we expected the role of the price effect to increase, and therefore the degree of pro-cyclicality to decrease or even reverse toward the end of the sample. Instead, we find that the sign and magnitude of the effect remains constant. We explore potential theoretical models that may explain this finding.

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Integrating Human Capital with Human Development

Human capital (HC) theory has largely emphasized human cognitive development and the acquisition of knowledge and skills. It is becoming apparent that this version of HC theory has a far too limited conception of human capabilities. It is too focused on cognitive learning and on relatively tangible contributions to productivity. It doesn’t sufficiently consider the role of parents and others who provide childcare and therapeutic help. And it doesn’t consider knowledge related to the human brain’s functioning and development. Therefore, this paper proposes an integration of the concepts of HC and human development (HD). Such an integration can help understand what has to happen for individuals to flourish and to develop to their full potential. The integration will enable us to understand many possibilities for improving human capabilities, possibilities heretofore only dimly conceived of. It will facilitate the formulating of HC strategies that are much more rational, efficient, and humane.

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Adverse Childhood Experiences, Poverty and Inequality: Toward an Understanding of the Connections and the Cures

Despite Alfred Marshall’s recognition of mothering’s importance, human capital (HC) theory scarcely reflects the role of the home environment as a factor influencing the production of HC.
This paper looks deeply into the earliest phase of child development to understand its implications for HC theory. Recently, important noneconomic research has revealed the growth of adverse childhood experiences (ACEs) among young children and how this impairs their brain functioning. This paper explores the role of ACEs for understanding poverty and inequality.

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*Division of the Tax Burden in Investment Settings*

This experiment analyzes the influence of taxation on investments and the question whether the distribution of tax liabilities has an influence on the division of the tax incidence. A trust game (20 periods, fixed matching) is modified such that either both players or only the responder have to pay taxes, whereby taxes are automatically deducted. In a baseline treatment without taxes we find that proposers send an average amount of 82 (of 100) and responders 155 (multiplier=3). When introducing a tax rate of 20% (and increasing the multiplier accordingly), both transfers decrease and the responder shifts the tax burden to the proposer. Trust rates are similar under both tax regimes, but trustworthiness differs. When only the responder is liable to taxation he lowers trustworthiness by more than the actual taxation and gets an additional profit. In two further treatments we allow for tax evasion with even larger difference in profits.

**Maren Tonn**, University of Erlangen-Nuremberg, GERMANY (VIIb) maren.tonn@fau.de

*Cooperation under Incomplete Information: An Experimental Investigation*

In this experiment we observe that private information about preferences makes cooperation difficult, even in a repeated interaction setting that enables subjects to reap gains from cooperation. Two players are involved in a joint project and preference intensities (strong or weak) are assigned randomly to each player. Players can increase efficiency gains by not over weighting their own interest. We vary matching protocol and cooperation-related gains to find mechanisms that improve efficient decision making. In a further treatment subjects are involved in 8 projects per period. We observe that coordination is far from being perfect (overall 40 percent of players always state a strong preference), even when potential efficiency gains are higher. Although fixed matching leads to better coordination and some pairs achieve nearly all gains from cooperation, often both players always state high intensities. Changes in behavior in response to other players' behavior occur only in very first periods.

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*Sales Tax Salience for Different Price Levels*

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*Does the Weather Influence Global Stock Returns?*

We investigate the effects of five weather conditions (sunshine, wind, rain, snow depth, and temperature) on daily index returns of 49 countries from 1973 to 2012. We conduct month-by-month tests separately for cold, hot, and mild regions (the Southern Hemisphere timing is shifted by six months). Two themes emerge from our tests. First, returns are positively associated with comfortable weather conditions in all three temperature regions, especially when people expect to spend more time outdoors. Second, in the cold and mild regions, winter-time cold temperature
appears to stimulate risk taking and leads to higher returns. These findings suggest that the impact of weather on investor behavior is stronger and more pervasive than previously documented. A hedge strategy that exploits the stock return predictability of the weather can generate substantial out-of-sample profits (18% to 25% annualized return before transactions costs) during 1993-2012.

Jose-Ramon Uriarte, University of the Basque Country, SPAIN (VIIIc)  jr.uriarte@ehu.es
The Economics of "Why is it so Hard to Save a Threatened Language?"

We study the language choice behavior of bilingual speakers in modern societies such as the Basque Country, Ireland and Wales. These countries have two official languages A, spoken by all, and B, spoken by a minority. We think of the bilinguals in those societies as a population playing repeatedly a Bayesian game in which they must choose strategically the language, A or B, that might be used in the interaction. The choice has to be made under imperfect information about the linguistic type of the interlocutors. We think of the mixed strategy Nash equilibrium of the language use game as a model for real life language choice behavior. It is shown that the predictions made with this model fit very well the data about the actual use, contained in the censuses, of Basque, Irish and Welsh languages. Then the question posed by Fishman (2001), which appears in the title, is answered as follows: it is hard, mainly, because bilingual speakers have reached an equilibrium which is evolutionary stable. This means that to solve fast and in a reflex manner their frequent language coordination problem, bilinguals have developed a linguistic convention based on the strategy "Use the same language as your interlocutor", which weakens the use of B.

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Impact of Irrigation Water Salinity on Crop Choice: The Case of the Bay Delta

The Sacramento-San Joaquin River Delta (the Delta) is a vast water resource that supplies to various parties in California. Altered by an extensive levee system over the past 150 years, it’s ability to generate fresh water diminished significantly and the government authorities formulated multiple measures to restore the system one of which being The Bay Delta Conservation Plan (BDCP). BDCP includes plans on building isolated conveyance facilities to control the direction of water and this raises concerns about the increased salinity in irrigation water. Using a large and detailed agricultural data set on the Bay Delta agricultural activity, a random coefficients logit model for crop choice is estimated. Then results are used to simulate the crop choice decisions under different salinity scenarios and the agricultural revenue changes as a result are calculated.

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Low-Income Caregivers Perceptions of Economic Strain and Its Influence on Childhood Obesity

It is known that experiencing financial hardship can lead to both higher maternal and child body mass index, but research has yet to explore the effect of caregiver’s perception of their economic status. Low-income caregivers (N = 432) of preschoolers (ages 3-5) were interviewed using the Family Economic Strain Scale and height and weight measurements were taken. Analyses revealed a moderating effect approaching significance on caregiver BMI classification by
caregiver’s perceived economic strain on child’s BMI. At low levels of perceived economic strain, caregiver BMI classification had no effect on child BMI z-score for normal weight, overweight, or obese caregivers. Thus, reduced perception of economic strain may act as a buffer to the negative physiological effect of maternal overweight/obesity and its connection to child weight status. Merging nutrition education with behavioral economics could allow for more effective outreach programming.

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The Failed Microfoundations of Mainstream Macroeconomics: Why Not Build on More Accurate Psychological Foundations?

The failure of mainstream economists to anticipate major events such as the 2007-2009 global financial crisis and the near disintegration of the euro area of the EU have been widely discussed in the media and the economics profession. Our paper starts with a review of the mainstream macroeconomics literature, which leads us to ask to what extent the failures are related to Macroeconomics’ recent quest for microfoundations. This attempt to derive mathematically consistent models that logically link aggregate outcomes to individual and business behavioral functions has led mainstream economists to accept very questionable assumptions about human behavior. A careful survey of evidence from the fields of psychology, social anthropology, neuroscience, and behavioral economics suggests that many popular assumptions, such as rational expectations, separable individuals, aggregate welfare, profit maximization, and fully informed decision makers, do not accurately reflect actual human behavior. But, could economists have developed more accurate microfoundations for macroeconomics? The main purpose of this paper is to examine two well-known, but now marginalized, twentieth-century economists whose models can serve in place of the currently popular microfoundational models: the macroeconomic framework offered by John Maynard Keynes, e.g., A Treatise on Money (1930) and The General Theory of Employment, Interest, and Money (1936), and the models of business and consumer behavior offered by Thorstein Veblen, e.g., The Theory of Business Enterprise (1904) and The Theory of the Leisure Class (1899). A careful comparison of Keynes and Veblen to current knowledge about human behavior from the fields of psychology, neuroscience, and behavioral economics leads us to conclude that they based their models on much more realistic understandings of human behavior. This conclusion then motivates us to conjecture how the Keynes and Veblen models might have enabled policymakers to better anticipate the financial instability that shook the global economy and the euro area after 2007. Alternatively, had the crisis still occurred, we draw on the findings from behavioral economics to assess whether policymakers following the reasoning of Keynes and Veblen would respond with policies that more closely match people’s true needs and wants than the current austerity policies in Europe and the “quantitative easing” monetary policies followed by the U.S. and U.K. central banks.

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Runaway Slave Bounties, Property Rights, and the Fugitive Slave Act of 1850

This research project investigates institutional and behavioral links between runaway slaves, bounties, and the institutional system supporting slave holders’ claims to ownership. The analysis uses data collected from newspapers from 1840 to 1860 which contain advertisements for bounties offered by slave owners for the return of their runaway slaves. The pervasive use of
bounties indicates an ineffective formal property rights regime with respect to solving conflicting claims over ownership of runaway slaves. One hypothesis of this paper is that northern states’ refusal to honor southern slave holders’ property rights is correlated with slave owners independently funding monetary rewards to informally strengthen their property rights. Bounties may have also served as a signal to potential runaways and were a method of strengthening the many informal institutions that discouraged slaves from attempting to achieve freedom. Bounties may have helped to maintain the exiting power structure and reduce the destabilizing effects of runaways on plantation production. Preliminary results support the hypothesis that institutional changes in property rights enforcement, particularly the Fugitive Slave Act of 1850, influenced the monetary value of offered bounties. In addition, the data support the hypothesis that slave owners may have also used bounties as a signaling device to discourage potential runaways.

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The Failed Microfoundations of Mainstream Macroeconomics: Why Not Build on More Accurate Psychological Foundations?

The failure of mainstream economists to anticipate major events such as the 2007-2009 global financial crisis and the near disintegration of the euro area of the EU have been widely discussed in the media and the economics profession. Our paper starts with a review of the mainstream macroeconomics literature, which leads us to ask to what extent the failures are related to Macroeconomics’ recent quest for microfoundations. This attempt to derive mathematically consistent models that logically link aggregate outcomes to individual and business behavioral functions has led mainstream economists to accept very questionable assumptions about human behavior. A careful survey of evidence from the fields of psychology, social anthropology, neuroscience, and behavioral economics suggests that many popular assumptions, such as rational expectations, separable individuals, aggregate welfare, profit maximization, and fully informed decision makers, do not accurately reflect actual human behavior. But, could economists have developed more accurate microfoundations for macroeconomics? The main purpose of this paper is to examine two well-known, but now marginalized, twentieth-century economists whose models can serve in place of the currently popular microfoundational models: the macroeconomic framework offered by John Maynard Keynes, e.g., A Treatise on Money (1930) and The General Theory of Employment, Interest, and Money (1936), and the models of business and consumer behavior offered by Thorstein Veblen, e.g., The Theory of Business Enterprise (1904) and The Theory of the Leisure Class (1899). A careful comparison of Keynes and Veblen to current knowledge about human behavior from the fields of psychology, neuroscience, and behavioral economics leads us to conclude that they based their models on much more realistic understandings of human behavior. This conclusion then motivates us to conjecture how the Keynes and Veblen models might have enabled policymakers to better anticipate the financial instability that shook the global economy and the euro area after 2007. Alternatively, had the crisis still occurred, we draw on the findings from behavioral economics to assess whether policymakers following the reasoning of Keynes and Veblen would respond with policies that more closely match people’s true needs and wants than the current austerity policies in Europe and the “quantitative easing” monetary policies followed by the U.S. and U.K. central banks.
W. Fred Van Raaij, Tilburg University, THE NETHERLANDS (IIb) wfred@xs4all.nl
*The Future of Financial Advice: Virtual Financial Guardian Angels*

The Internet revolution gave rise to fundamentally changing consumer behavior. Online and mobile interactivity resulted in fading the distinctions between face-to-face and online financial advice and retailing. It removes traditional barriers in personal finance and opens up revolutionizing possibilities for new high-value and low-cost business models. In our studies in the U.K. and The Netherlands, we report on (1) a new index on customer satisfaction and loyalty. (2) consumer motivations considering financial advice, and (3) how consumer preferences regarding financial advice differentiate among consumer segments. This study is a step to design a new financial-advice model: the virtual guardian angel. The main conclusions of this study are as follows: (1) Customer satisfaction and loyalty have the same determinants. (2) British banks have a better performance on our financial satisfaction index than Dutch banks. (3) There is a market potential of 64% for the virtual financial guardian angel.

W. Fred Van Raaij, Tilburg University, THE NETHERLANDS (Vb) wfred@xs4all.nl
*Panelist: The Personality Continuum and Consumer Behavior: Presentation and Panel Discussion*

Diederick Van Thiel, Advice Games, Amsterdam, THE NETHERLANDS (IIb) Diederick@advicegames.com
*The Future of Financial Advice: Virtual Financial Guardian Angels*

The Internet revolution gave rise to fundamentally changing consumer behavior. Online and mobile interactivity resulted in fading the distinctions between face-to-face and online financial advice and retailing. It removes traditional barriers in personal finance and opens up revolutionizing possibilities for new high-value and low-cost business models. In our studies in the U.K. and The Netherlands, we report on (1) a new index on customer satisfaction and loyalty. (2) consumer motivations considering financial advice, and (3) how consumer preferences regarding financial advice differentiate among consumer segments. This study is a step to design a new financial-advice model: the virtual guardian angel. The main conclusions of this study are as follows: (1) Customer satisfaction and loyalty have the same determinants. (2) British banks have a better performance on our financial satisfaction index than Dutch banks. (3) There is a market potential of 64% for the virtual financial guardian angel.

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*Impact of Relative Income on Giving Behavior*

This study investigates effects of relative income on giving behavior. We design an experiment where participants earn three different incomes according to their performance in a task. We compare donation decisions between people who are informed about their relative income and those informed of absolute income. We find that knowledge about relative income increases total donations. We argue that this is due to concerns with both income status and warm-glowing generosity. While high income earners donate more in absolute amount, they donate a less percent of their income than low income earners. Low and high earners are more likely to donate nothing or all of their income compared to middle earners. When participants
are paired with a partner, low earners donate highest when paired with medium earners and high earners donate more when paired with low and high earners. This result supports effects of relative income on different donation motives.

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Financial Literacy and Mortgage Choice

We estimate the impact of financial literacy on the decision to borrow via and fixed versus adjustable rate mortgage and use a standard or alternative mortgage product. We use a unique, test-based measure of financial literacy specifically developed to test ability of respondents to understand features of standard mort-gage contracts. We find poor literacy households are more likely to use alternative mortgage products which incorporate delayed amortization or ‘interest only’ components. Financially literate households are more likely to choose adjustable rate mortgages. Instrumental variable specifications using early life mathematical ability as an instrument for current financial literacy show these estimates are not attributable to reverse causality.

Jeanne Wendel, University of Nevada, Reno, USA (IXa)  wendel@unr.edu  
The Effects of Pay for Performance on Physician Productivity

We investigate whether pay for performance (PFP) schemes (either at individual or at group level) affect physician productivity. Physicians, for the most part, work in an environment where cooperation among physicians is not required as a typical patient sees only one physician at a time. Therefore we would expect individual level PFP schemes to be effective in increasing productivity. We test for sensitivity of productivity to both the actual compensation method (i.e. fixed salary, performance based pay etc.) and respondents’ subjective belief about how his productivity affects his income.

Alice Wieland, University of Nevada, Reno, USA (VIIc)  awieland@unr.edu  
Gender and risk aversion: If, When and Why?

An abundance of recent research suggests that women are more risk averse than men. The research presented here examines the processes and boundary conditions surrounding this conclusion. We present three studies that identify the conditions under which a gender difference in risk aversion is more likely to occur, in gambling framed and willingness to pay (WTP) scenarios, and when it is less likely to occur, in non-gambling contexts and willingness to accept (WTA) scenarios. Additionally, we identify two mediators of the gender differences in risk aversion: women have less favorable gambling attitudes and more conservative financial risk attitudes than men. The results suggest that an overall conclusion that women are more risk averse should be qualified and that the effect is moderated by elicitation method.

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Social Preferences in the Trust Game: Theory and Experiment
Experimental evidence suggests subjects in trust game experiments frequently exhibit trust and trustworthiness, indicating strong social preferences in the population. This paper presents a theoretical model of play in the trust game, where the preferences of the second mover are a composite of material self-interest and multiple types of social preferences, including altruism, inequality aversion, and reciprocity. The model specifically features intention based reciprocity. In particular, the second mover appreciates a first mover that intends an equitable outcome, and rewards this intention with positive reciprocity. The second mover optimizes given these preferences, and the first mover optimizes while recognizing the optimizing behavior and preferences of the first mover. Overall, the model is substantially successful at explaining experimental data a variety of trust experiment treatments.

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**Sign me up! A model and Field Experiment on Volunteering**

We develop and model a two-stage incentivized intervention to promote pro-sociality. In the first stage, participants are incentivized to complete a compound task consisting of a targeted pro-social activity and a complement activity. In the second stage, participants are incentivized to complete repeatedly only the complement activity. The model predicts that, conditional on compliance with the first-stage compound task, intrinsic interest in the target activity is promoted regardless of compliance with the second-stage task. To test this we design and implement a field experiment on volunteering. The results are consistent with our model. Moreover, in the one year subsequent to our experiment, those who participated in our compound-task mechanism reported volunteering systematically more than those who participated in alternative mechanisms we investigated. Our approach has useful implications for promoting positive individual and social outcomes in many behavioral domains.

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**Unfairness in Key Account Sales Teams: A Behavioral Exploration**

One of the most challenging problems of key account sales teams is perceived fairness. Team members may feel that their rewards are not commensurate with their contribution to team success: the outcome is unfair. This paper applies principal-agent theory to sales teams, incorporating feelings of unfairness. What drives the key account manager to allocate attention between selling, coaching, diagnosing and guiding? How do feelings of unfairness about the compensation system affect these decisions? We build an analytical model and discover in some circumstances key account manager who are unfairly treated still want to help favored members. Specifically, we develop two models to analyze team members’ equilibrium effort decisions when compensated by salary and commissions. We measure unfairness aversion using laboratory experiments. The paper provides insights into key account managers’ multiple roles and outlines suggestions for practitioners to alleviate the perceived unfairness in sales teams.

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**Empathy and Self-interest as expressed in Chinese Corporations**

Based on Cory’s newly emergent Dual Motive Theory (DMT), this paper extends his Behavioral Tension Equation to the enterprise level. It addresses the expressions of empathy and self-interest in Chinese corporations through a survey of external relationship issues. By applying the
Relationship-Tension-Level Model (RTL Model), this paper generates a picture of an enterprise’s operation and its external relationship positioning and management from external observation. The paper provides support for the proposal that, in the end, the dynamic balanced-level (self- and other-interest) of business operation produces the least tension and advances business growth.

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An Evolutionary Dynamic Model on Assimilation and Segregation

While conformity pressures assimilate people in a community, an individual occasionally migrates among communities when the individual feels discontent with the community. These two factors cause segregation and cultural diversity over communities in the society. By formulating migration dynamic as best response dynamic and embedding it into Kuran & Sandholm's model (2008) on dynamic of preference assimilation, we build an evolutionary dynamic model to see how the variance of preferences in the entire society quantitatively changes over time. We first obtain several analytical properties as the basis of simulation experiments. We find from simulations that, while preferences assimilate within a community, self-selected migrations enlarge diversity of preferences over communities in the society. We further study how the arrival rate of migration opportunities and the degree of conformity pressures affect the variance of preferences.

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