BABEEW5 Program

UCSC LEEPS Lab

Saturday, May 2, 2015

Please see the BABEEW5 website for more informaiton about the venue and event.

Check In & Breakfast

8:00-8:45 AM - at Baskin Plaza - Bagels and pastries

Welcoming Remarks

8:45 - 9:00 AM - at Baskin Plaza

First Parallel Session

9:00 - 10:20 AM

Room 192: Let's Start On Time!

Distorted Time Preference? The Role Of Subjective Time Perception *Ji Yong Park with C. Monica Capra* There is abundant evidence from neuroscience and psychology suggesting that individuals experience time differently. Yet, subjective time perception has not received substantial scrutiny in economics. Indeed, prevalent economic theories assume that decision-makers share identical time duration, which is exogenously determined by the external clock. Individual discount rates are assumed to be uniquely determined by our valuation of future rewards. In this paper, we take the point of view that subjective time perception is a key determinant of time preference. We provide a framework for studying how distortions in the perception of time can be incorporated into inter-temporal choice. Using Steven's Power Law we propose a new discount function that allows for variations in discounting due to personal characteristics and external factors. Our approach allows us to explain puzzling observations in inter-temporal choice, such as context dependent discounting, dynamic time inconsistent choices, present bias, and future bias. In addition, by introducing time perception into the discount function, we can explain interval effects such as subadditivity and superadditivity. To our knowledge there is no other approach that can provide a unifying framework for discounting that accounts for the observed anomalies in inter-temporal choice.

A Pilot Study On Time Consistency Of Asset Allocation *Florina Salaghe with Dimitra Papadovasilaki, James Sundali, and Federico Guerrero* This pilot experiment looks at the time consistency of optimal investment plans between a safe and a risky asset. The experiment was inspired by the absentminded driver paradox introduced by Piccione and Rubinstein (1997). We introduce a retirement road analogy and ask subjects to choose a strategy in two different stages:

planning stage and action stage. In the first stage, subjects are asked to plan their retirement by either investing in a safe asset (payoff of 1 experimental dollars), or by investing in a risky asset whose payoff is determined by chance. If the risky asset turns out to be "good," then they get to retirement faster and they have a payoff of 4 experimental dollars. On the other hand, if the risky asset turns out to be "bad," the payoff is zero experimental dollars. The optimal (pure) strategy is to declare the safe asset in the planning stage and choose the risky asset in the action stage, conditional on subjects' realization that they cannot distinguish between the "good" and the "bad" risky asset. Five out of 17 subjects identified the pure dominant strategy in the planning stage. Two correct lines of reasoning were possible at the Action Stage. Four of the five subjects chose a time consistent line of reasoning, according to which an optimal strategy should not be revised, whereas the remaining subject followed the paradoxical although optimal line of reasoning of Piccione and Rubinstein (1997).

Obviously Strategy-Proof Mechanisms *Shengwu Li* In mechanism design, strategy-proofness is often said to be desirable because it makes it easy for agents to decide what to do. However, some strategy-proof mechanisms are easier to understand than others. In this paper, I define what it means for a mechanism to be Obviously Strategy Proof (OSP). This is a refinement of strategy-proofness that applies to extensive game forms. Using a rigorous model of cognitive limitations, I show that a mechanism is OSP iff the optimality of truth-telling can be verified without counterfactual inferences. I show that a choice rule is OSP-implementable iff it can be carried out by a social planner under a regime of partial commitment. Finally, I characterize the set of OSP mechanisms in a canonical setting, that encompasses private-value auctions and public goods games.

The Role Of Exponential-Growth Bias And Present Bias In Retirement Saving Decisions *Joshua Tasoff with Gopi Shah Goda, Matthew R. Levy, Colleen Manchester, and Aaron Sojourner* We investigate two biases which may cause people to have suboptimal retirement savings: exponential-growth bias (EG bias), the tendency to neglect compounding interest, and present bias (PB), the tendency for people to underweight future consumption in a dynamically incon- sistent manner. Using an online representative sample of the US, we elicit individuals' level of EG bias, time-preference parameters including nai¨vete´ and sophistication, as well as numerous other background measures and find the joint distribution of these biases in the population. We find that both biases are prevalent and are negatively correlated with levels of retirement savings. In addition, we analyze the effects of randomly-assigned treatments designed to counteract the effects of EG bias and present bias on how individuals respond to a new hypothetical employer match. We find that our EGB Treatments, which provided individuals with projected values of the new match, significantly increased additional contributions. We also find that individuals who do not display EG bias respond significantly more to the match; however, we do not find evidence that the treatments had larger effects on those who were EG biased relative to those who were unbiased. Our PB Treatments, which provided financial incentives to complete the paperwork required to change contributions, influenced the timing of when an individual would complete the paperwork. In addition, financial incentives that were available only for a limited amount of time differentially affected present-biased individuals relative to those who were time-consistent.

Room 194: Field Data

The Marginal Propensity To Consume Out Of Liquidity. *Deniz Aydin* This paper presents novel tests of competing models of inter temporal consumption behavior using unique European administrative panel data on income, spending and assets. I estimate the marginal propensity to consume (MPC) out of 'liquidity', the debt response to a change in borrowing capacity, using changes in credit card limits in an ongoing randomized controlled trial involving thirty thousand individuals. I obtain four empirical results: (i) consumers, even those that are away from a binding borrowing constraint, respond aggressively to a change in borrowing limits, accumulating an average of 20 cents of debt per dollar change in limit (ii) there is substantial heterogeneity in the MPC with respect to cash-on-hand. Immediately constrained consumers increase consumption one-for-one, and in line with models that predict a concave consumption rule, the MPC is a decreasing function of cash-on-hand (iii) the cumulative response of debt and credit utilization is mean reverting: for those with less than one months of income as cash-on-hand, the additional debt accumulated drops back to zero after 18 months. (observational data) (iv) additional liquidity is spent mostly on durables using installments, with a smaller fraction on spent on non-durables, and taken out as cash advances. I then study the joint dynamics of consumption, debt and the balance sheet to a change in borrowing constraints, in a Bewley model with realistic income risk. Estimates of the MPC out of liquidity can be used to calibrate and test apart intertemporal models. Hump-shaped debt response, as well as the mean-reverting credit card utilization are not consistent with impatience or myopia as the reason for high MPCs.

How Much To Work: Evidence Of Reference Dependence In Taxi Drivers *Vincent Leah-Martin* This paper presents new evidence of behavior consistent with reference dependent preferences over labor supply. Taxi drivers have been widely studied as an example of flexible labor supply. Previous literature has found that taxi drivers supply less labor when their wages are higher. These results have been interpreted as drivers being loss averse, which presents in the field as drivers targeting income around a reference point. Substantially more data on taxi drivers have recently become available in several markets. I use data spanning four years from a mid-sized San Francisco fleet to reexamine the question of reference dependence by examining empirical implications of a driver's stopping decision. I find that, on average, drivers do exhibit behavior consistent with having a reference point. That is to say, drivers appear to behave consistently with having increasing marginal utility of wealth up until a certain wealth level within a day. Furthermore, my methodology allows me to estimate the reference point without functional form or distributional assumptions.

Financial Competence - Measuring The Effects Of Financial Education On Consumer Welfare *Sandro Ambuehl with B. Douglas Bernheim and Annamaria Lusardi* We introduce the concept of financial competence, a measure of the extent to which individuals' financial choices align with those they would make if they properly understood their opportunity sets. Unlike existing measures of the quality of financial decision making, the concept is firmly rooted in the principles of choice-based behavioral welfare analysis; it also avoids the types of paternalistic judgments that are common in policy discussions. We document the importance of assessing financial competence by demonstrating, through an example, that an educational intervention can appear highly successful according to conventional outcome measures while failing to improve the quality of financial decision making. Specifically, we study a simple intervention concerning compound interest that significantly improves performance on a test of conceptual knowledge (which subjects report operationalizing in their decisions), and appears to counteract exponential growth bias. However, financial competence (welfare) does not improve. We trace the mechanisms that account for these seemingly divergent findings.

A Field Experiment On Effort Allocation Under Relative Grading *Andy Brownback* Grading on the curve is one of the most commonly used evaluation mechanisms in education. Under this mechanism, grades are assigned based on each student's percentile rank in the class. Considering classes to be samples from the population implies that as the class size grows, the percentile ranks of the students in it draw closer to their percentile ranks in the population, which changes the students' incentives. I model this environment to predict how changes in the class size reallocate incentives for effort between students with different abilities, an effect that holds true in any relative evaluation method. I use a field experiment in an intermediate economics course to test the model's predictions about effort exertion in a real-stakes environment. My results show that the lower variance of larger classes elicits greater mean effort and greater effort from all but the lowest-ability students. The greater variance of smaller classes elicits more effort from only the lowest-ability students. Many low-ability students fail to take advantage of the randomness of the smaller class size, an allocation failure consistent with "cursed" beliefs about their classmates and other behavioral biases. My results shed new light on the debate over the effects of class size reductions.

Coffee Break

10:20 - 10:40 AM - at Baskin Plaza - Coffee, tea, and cookies

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Second Parallel Session

10:40 - 12:40 AM

Room 192: Going Once, Going Twice: Auctions, Markets, and Finance

Simultaneous Versus Sequential All-Pay Auctions Under Incomplete Information *Lian Jian with Zheng Li, Tsinghua University, China and Tracy Xiao Liu, Tsinghua University, China* While both simultaneous and sequential contests are mechanisms used in real markets, e.g., crowdsourcing labor markets, few studies have directly compared their performance. By modeling contests as incomplete information all-pay auctions, we analytically show that the expected highest bid is higher in simultaneous contests, in which contestants submit their bids independently, than in sequential contests, in which late entrants submit after observing all prior bids. Our laboratory experiment results support this prediction, and the prediction that simultaneous contests are more efficient than sequential ones. We also find that sequential all-pay auctions' efficiency drops significantly as the number of bidders increases.

Online Ad Auctions: An Experiment *Kevin McLaughlin with Daniel Frieman* We compare, for the first time, how the two main auction formats used in online advertising (Vickrey-Clarke-Groves and Generalized Second Price) perform in real time markets. A first round of laboratory sessions using proprietary software suggest that (a) the Vickrey-Clarke-Groves format is more efficient in a competitive parameter environment (achieving 73% efficiency over random allocation vs. 53% under GSP), while generating a similar level of auctioneer revenue, and (b) the Generalized Second Price format generates more auctioneer revenue in a less competitive environment (capturing 109% of the unique VCG equilibrium revenue level vs. 96% under VCG) while achieving a similar level of efficiency (about 87%).

Rational And Heuristic-Driven Trading Panics In An Experimental Asset Market *Chad Kendall* In financial markets, potential adverse price movements may induce traders to rush to trade as soon as possible. On the other hand, time-consuming research can produce better asset value information. I study this trade-off both theoretically and experimentally in a stylized model. I derive conditions under which equilibrium forces cause traders to rationally panic, trading simultaneously as each attempts to front-run the other. In the laboratory data, robust, rational panics occur, resulting in poor information aggregation as traders forgo better information. Panics that cannot be explained by equilibrium behavior are also frequent, further hampering information aggregation and resulting in trade clustering and short-term correlation in returns. These real-world phenomena are a result of almost half of traders relying on a simple trading heuristic that experience does not eliminate. I discuss evidence that the heuristic may be driven by prospect theory preferences, and its implications for asset markets outside of the laboratory.

Dynamic Runs And Circuit Breakers: An Experiment *David Munro with Jacopo Magnani* Although now widespread in financial markets, circuit breakers remain controversial among researchers and professional investors. We formalize the popular argument that circuit breakers provide a "cooling-off" period for investors during market runs. We model a market where investors fear future liquidity shocks but receive news about the true state in continuous time. We show that a temporary trading halt may eliminate the inefficiency caused by early liquidations when the state is good. A circuit breaker operates by providing agents with time to learn about the state, when private incentives to wait for better information are insufficient. The other proposed contribution is empirical: We propose to conduct laboratory experiments informed by the theoretical model. The experiments will compare laboratory financial markets with and without circuit breakers in two different parametric settings: one where circuit breakers theoretically should succeed in restoring financial stability and another where circuit breakers are expected to fail. The current project will analyze whether these predictions are robust to the actual behavior of human subjects.

The Effect Of Early And Salient Investment Experiences On Subsequent Asset Allocations *Dimitra Papadovasilaki with Dimitra Papadovasilaki, James Sundali, and Federico Guerrero* Based on previous experimental findings (Papadovasilaki, Sundali, Guerrero, 2014) subjects experiencing a market bust early in a laboratory asset allocation game invest less in a risky asset compared to subjects experiencing early market booms. This study complements and reinforces these findings. Our experiment consists of two cohorts playing an investment game in which they allocated an endowment of $5 between cash and stocks. Cash had constant return of 3% while the returns on stocks were 24 annual returns of the DJIA. The Control group confronted a totally random order of stock returns, while the Treatment group experienced a bust in years 5 to 8 of the experiment. In our two previous studies, the return stream on stocks was predetermined. Subjects could not be certain of the data generating process (DGP) which may have induced them to believe that stock returns were auto-correlated. In this study the DGP of stock returns is completely transparent. Each of the DJIA returns from the period 1898-2006 was written on an individual chip and placed on a transparent box. Every period after subjects made their asset allocation decisions, a randomly selected subject drew a chip and announced the return. The bust in the Treatment group was implemented using confederates who read aloud a dummy value, instead of the actual one they drew. The Control group allocated 5.01% more to stocks during the entire experiment than subjects of the Treatment group, a result consistent with our previous findings, indicating that prior investment outcomes impact investment decisions.

How To Boost Revenues In First-Price Auctions? The Magic Of Disclosing Only Winning Bids From Past Auctions *Peter Katuscak with Philippe Jehiel, Peter Katuščák, and Fabio Michelucci* Consider an auctioneer who repeatedly sells identical or similar items using a first-price sealed-bid auction. The auctioneer has a choice of what information about past auctions to disclose. We hypothesize that disclosing winning bids generates more revenue in the steady state than disclosing all bids. This is due to a bias due to which some bidders do not realize that winning bids are not representative of all bids and are hence best-responding to the historical distribution of winning bids. We test this hypothesis using a laboratory experiment in which bidders repeatedly compete in pairs drawn from a group of 12 subjects and receive feedback only about the aggregate distribution of bids or winning bids in the group before the next repetition of bidding. Bidders receive no feedback about the outcome of their individual auctions until the end of the experiment. After 11 repetitions of bidding, we observe that the distribution of bids in the winning-bids treatment first-order stochastically dominates the distribution of bids in the all-bids treatment. Under the uniform distribution of valuations, the average revenue is 8 percent higher in the winning-bids treatment, consistently with our hypothesis. To test our hypothesis further, we perform a structural estimation of best-responses. We find that a significant fraction of bidders are subject to the bias, consistently with our hypothesis. Moreover, the ones who are not are also affected since they respond to higher competing bids.

Room 194: Charitable Givings, Redistribution

Malleable Risk Preferences *Sameh Habib* This paper tests in the lab recent empirical evidence that experience in asset markets has a lasting impact on risk aversion. Subjects are run through risk elicitation and portfolio allocation tasks in order to test for the lasting effect of experiencing spells of negative and positive returns on elicited risk preferences. Session are going live this week and preliminary results will be available in the next couple weeks.

Excusing Selfishness In Charitable Giving: The Role Of Risk *Christine Exley* Decisions involving charitable giving often occur under the shadow of risk. A common finding is that potential donors give less when there is greater risk that their donation will have less impact. While this behavior could be fully rationalized by standard economic models, this paper shows that an additional mechanism is relevant: the use of risk as an excuse not to give. In a laboratory study, participants evaluate risky payoffs for themselves and risky payoffs for a charity. When their decisions do not involve tradeoffs between money for themselves and the charity, they respond very similarly to self risk and charity risk. By contrast, when their decisions force tradeoffs between money for themselves and the charity, participants act more averse to charity risk and less averse to self risk. These altered responses to risk bias participants towards choosing payoffs for themselves more often, consistent with excuse-driven responses to risk. Additional results support the existence of excuse-driven types and the relevance of excuse driven responses in scenarios commonly observed outside of the laboratory.

Surprising Gifts: Theory And Laboratory Evidence *Axel Ockenfels with Kiryl Khalmetski and Peter Werner* People do not only feel guilt from not living up to others' expectations (Battigalli and Dufwenberg (2007)), but may also like to exceed them. We propose a model that generalizes the guilt aversion model to capture the possibility of positive surprises when making gifts. A model extension allows decision makers to care about others' attribution of intentions behind surprises. We test the model in a series of dictator game experiments. We find a strong causal effect of recipients' expectations on dictators' transfers. Moreover, in line with our model, the correlation between transfers and expectations can be both, positive and negative, obscuring the effect in the aggregate. Finally, we provide evidence that dictators care about what recipients know about the intentions behind surprises.

How Do Suggested Donations Affect Charitable Gifts? Evidence From A Field Experiment In Public Broadcasting *David Reiley with Anya Samek* Hassle costs play an important role in consumer decision making, from redemption of rebates and coupons to enrollment in retirement savings or poverty-aid programs. We propose that the presence of hassle costs in the charitable giving domain also plays an important role in the decision to donate. To test our hypothesis, we implemented field experiments in a workplace giving campaign at Google. While the control group continued to have the ability to donate by visiting the website and entering their credit card information, the treatment group was also given the option to donate via payroll deduction with the click of a button, thereby decreasing the 'hassle cost' of giving. We found that reducing hassle costs had a large and significant effect on the decision to donate to the charity, doubling the amount of money raised in each of two separate randomized experiments.

Satisfaction Of Basic Needs As A Distributive Principle: Experimental Evidence On Prevalence And Relative Importance *Frauke Meyer with Thomas Dohmen (Bonn University) and Gari Walkowitz (University of Cologne)* The aim of this study is to investigate whether basic needs satisfaction is a distributive principle in economic decisions. We also assess the importance of concerns for basic needs satisfaction relative to other distributive motives, namely maximin, efficiency, generosity, envy, and selfishness. We employ a framing strategy to create a context that enables judging payoffs in the scenarios with respect to the different other- or self-regarding distributive motives in a laboratory experiment. Participants made a series of choices in five-person dictator games. In each game, they can choose among three options, each of which is predicted by one or more distributive principles. We find that basic needs satisfaction is an important distributive motive, i.e. about 17 percent of dictators display such preference. In our experiment the principle of basic needs satisfaction turns out to be the third most important motive after maximin and selfishness, but more prevalent than concerns for efficiency, generosity, and envy. We argue that the prevalence of concerns for basic needs fulfillment has important implications for the design and acceptance of redistributive policies which address a minimum level of human necessities.

The Lives Of Others: Predicting Donations With Non-Choice Responses *Jeffrey Naecker* There is significant variation in the percentage of adults registered as organ donors across the United States. Some of this variation may be due to characteristics of the sign-up pro- cess, in particular the form that is used when state residents apply for or renew their driver's licenses. However, it is difficult to model and predict the success of the different forms with typical methods, due to the exceptionally large feature space and the limited data. To sur- mount this problem, I apply a methodology that uses data on subjective non-choice reactions to predict choices. I find that active (ie yes-no) framing of the designation question decreases designation rates by 2-3 percentage points relative to an opt-in framing. Additionally, I show that this methodology can predict behavior in an experimental setting involving social motives where we have good structural benchmarks. More generally, this methodology can be used to perform policy pseudo-experiments where field experiments would prove prohibitively expensive or difficult.

Lunch

12:40 - 2:00 PM - at Baskin Plaza - Sanchwiches and more

Two options for campus walks

1:00 - 1:45 PM - Start in the Plaza

Third Parallel Session

2:00 - 3:40 PM

Room 192: Morality And Other Concerns

History, Memory, And The Preference For Redistribution *David Y. Yang with Yuyu Chen (Peking University) Hui Wang (Peking University)* Citizen's preference for redistribution is at the foundation of political economy. In this project, we aim to understand how does ancestor's redistributive experiences affect descendants' preference for redistribution. We conduct a field experiment under the historical backdrop of the wealth equalization movement during the Chinese Communists Revolution (1947-1953). We provide a random subpopulation of Chinese citizens with information of this movement. We find that on average, making historical experiences salient turns an individual significantly more favorable towards government redistribution, while the "deeper" preference parameters such as altruism and reciprocity remain unchanged after receiving the treatment. In addition, we the treatment effect diverges among the actual beneficiaries and victims of the wealth equalization, suggesting that beneficiaries and victims have transmitted their experiences to the subsequent generations at differential strength.

Moral Perceptions Of Advised Actions *Alexander Gotthard Real with Lucas Coffman* The standard rationale for, and measure of, consultants is the information and insight they provide. We identify an additional role: Reducing the punishment faced by those they advise. Through a series of experiments, we show that selfishness is heavily punished, but that much of this punishment can be avoided by hiring a consultant to advise selfish behavior. This is true despite, by virtue of the design, the consultant is not an unbiased third party: Through a relational contract incentive, consultants are motivated to tell the principals what they want to hear. Further, the reduction in punishment is not driven by information asymmetries: Not only does the consultant not have any more information than the principal, punishment is lessened whether or not the punisher knows with certainty the principal acted selfishly, or whether she has to rely on the advise as a signal. The upshot of these results is that, across our treatments, when consultants are available, selfishness increases significantly.

Moral Property Rights, Punishment, And Intentions In A Real-Effort Bargaining Experiment *Garret Ridinger* Experimental evidence suggests that people care about the intentions of others in experimental games. Current models are unable to explain recent experimental evidence examining intentions. Moral property rights or individual beliefs about what each person should receive, are often influenced prior to the game, but have can have a strong influence on experimental outcomes. This paper argues that concerns about others' intentions are likely influenced by moral property rights. I conduct a laboratory experiment to explore how concerns for intentions are influenced by the assignment of property rights and the strength of punishment in a series of mini ultimatum games. In the games, the alternative offers available to the proposer are exogenously varied in a way to make the proposer's offer signal her intention. The results show that proposers respect property rights when the responder has a strong ability to punish, but not when punishment is weak. Responders respect property rights when their ability to punish is weak, but reject at high rates when they have strong punishment. The findings also demonstrate that by varying the property rights and the strength of punishment, the distribution of subjects that fit the different fairness models changes, suggesting a potential reason for why experiments have found mixed results for concerns about others' intentions. I show that measures of rule-following, and theory of mind are strong predictors of responders who respect proposer's property rights, while the moral emotion of shame strongly predicts costly punishment of proposers who choose not to respect responders' property rights.

Getting A Leg Up Or Pulling It Down? Interpersonal Comparisons And Destructive Actions: Experimental Evidence From Bolivia *Eliana Zeballos* Sometimes people, when comparing themselves with others, take a host of actions that are destructive to those around them, even when these actions imply self-inflicted costs. "Pulling down" other more successful individuals may have both direct and indirect detrimental effects on productivity and efficiency. On one hand, destructive behavior directly reduces welfare. For instance, results from the experimental game show that 55% of all the participants took at least one destructive action against somebody in their group reducing overall output by 22%. On the other hand, destructive actions may also reduce output and welfare indirectly if their threat induces ex-ante behavioral responses in the form of lower levels of effort and investment. Consequently, linking reactions to upward social comparisons and their effect on effort levels may help explain the considerable variability in how people have been shown to react to such comparisons. In this paper, I develop a two-stage two-agent model of strategic behavior that integrates the role of inter-personal comparisons with conventional neoclassical economic preference theory to analyze how they can lead to destructive behavior and how this behavior affects levels of effort. The experimental design that was carried out among 285 dairy farmers in Bolivia, built on the two-stage "money burning" game of Zizzo and Owald (2001) with two important modifications: 1) I replaced the random generation of participants' earnings with a simple effort task in the first stage; and 2) individuals participated in different activities that presented alternative scenarios that varied the incentives to "burn money" in the second stage. Results show that people whose earnings were above the mean of their group, in average, invested greater effort when comparing themselves with others (i.e., the "keep-up-with-the-Joneses" effect), while people whose earnings were below the mean of their group, in average, presented more destructive behavior.

Pathways Of Persuasion *Lucas Coffman with Paul Niehaus (UCSD)* While economic theories of persuasion emphasize self-interest, others posit an important role for other-regard. For example, a salesperson might describe product features but also try to build rapport. We study these two mechanisms within a simple but rich experimental framework in which sellers, in a free-form conversation, try to convince buyers to raise their valuations for objects. We find that sellers benefit from communication despite their material conflict of interest. Communication affects both buyers' self-interest and their other-regard. Changes in other-regard are mean zero, but interestingly a minority of sellers target other-regard and substantially outperform their peers. More generally, however, who is buying is actually a better predictor of persuasion than who is selling. Buyer-seller homophily also strongly predicts persuasion: gender-match, for example, more than doubles the sellers' expected gain.

Room 194: Field Experiment in Development

Making Ice Cream In Tehran: A Field Experiment On The Impact Of Attendance Incentives For Street Working Children *Elnaz Safarha with Alessandra Cassar* A substantial body of literature has focused on schooling attainment and children's performance to foster human capital. Despite the common goal, there is a debate on how to best approach it (Duflo et al. 2013). While in some studies incentives are effective in changing people's behavior, by inducing more effort and higher performance, other works point to crowding out of intrinsic motivations and other externalities. This study reports the results of an experiment conducted with children usually working in the streets of Tehran (Iran) on the effectiveness of non-monetary incentives on school attendance and related behaviors. Our within-subject design (dictated by severe restrictions in terms of subject pool and harmless of the incentive given how vulnerable the subject pool is) consisted of making ice cream at alternating dates and giving it to all children present that day at the NGO school. Our data show significant evidence that the treatment increases the probability of attendance by 13% ($p<0.01$), especially strong for boys. In addition, without any claim of causality, initial and final survey results indicate an overall improvement of children level of aspirations and trust after participation in the program. Further captured by drawings, children appear to be less anxious, less timid and more confident by the end of the program.

Encouraging Collective Action Through Public Goods Games: Can In-Experiment Learning Translate Into Real-World Cooperation? *Abbie Turiansky* While the importance of local institutions in shaping development outcomes is widely recognized, little is known about how to encourage their formation and development. Substantial literature has analyzed the characteristics of successful decentralized management of common-pool resources such as irrigation infrastructure, but the study of how successful institutions emerge is complicated by the difficulty of identifying exogenous variation in institution formation. I use random assignment of coordination games to study whether learning about the strategic considerations of certain scenarios can prime individuals to behave differently in real scenarios in which the same considerations are relevant. Among 800 rice farmers who are part of an agricultural technology adoption study in rural Haiti, 300 were randomly selected to participate in a series of public goods games framed to mimic the real trade-off they face between private work and participation in the management of shared canals. Farmers improved their coordination over the course of the game, and appear to have carried what they learned into their real-world cooperative behavior. Those invited to participate in the experiments volunteered for subsequent canal-cleaning work days organized with the local irrigation association at a substantially higher rate than the control group. Further, exposure to the collective action problem in an experimental context nudged behavior at two levels: not only were experiment participants were more likely to volunteer for canal cleaning, but, among farmers who did volunteer, experiment participants spent more days cleaning than non-participants.

Unintended Consequences Of Illegal Fishing Gear Enforcement: Results From An Artefactual Experiment In Tanzania *Spencer MacColl with Paul Onyang, Matthew Reimer, and Yaniv Stopnitzky* Overfishing and the destruction of fishing commons in developing countries is becoming an increasingly serious issue. Policymakers and local community leaders are looking for solutions to keep their fishing commons sustainable. Policymakers often suggest fines and enforcement mechanisms to help preserve the commons. This paper uses a novel artefactual experiment conducted throughout several fishing communities in Tanzania to determine the effect of enforcing and monitoring illegal fishing gear on fishing effort. The experiment shows that the enforcement mechanism actually hurt cooperative fishing behavior as players shifted from cooperative harvest strategies to more destructive ones, thus depleting the commons faster. One possible explanation is that the ban and subsequent enforcement mechanism crowded out fishers' intrinsic attitudes to sustain the resource for future rounds in the game. The fishers may have been more focused on not using illegal fishing gear than they were with sustaining the resource.

Disentangling Social Capital: Lab-In-The-Field Evidence On Coordination, Networks And Cooperation *Sandra Polania-Reyes* Although social capital has been considered of the utmost importance for development and poverty alleviation, it remains a complex and elusive concept. Different dimensions of social capital form part of this puzzle: cooperation is an individual other-regarding preference; social norms stem from beliefs about others' behavior; and individual connections arising in networks allow us to build such beliefs. To disentangle social capital we conducted an artefactual field experiment. To our knowledge this is the first time is being used a minimum effort coordination game with Pareto ranked equilibria in order to measure the coordination dimension of social capital. In addition, we collected network information, willingness to cooperate from a public goods game and traditional survey measures of social capital. We use heterogeneity in network density, on one hand, and a public goods game with communication, on the other, to separate the role of cooperation and that of beliefs. Our sample consists of 714 beneficiaries of a Conditional Cash Transfer program in Colombia (2008). Due to the nature of the sample we assess whether exposure to the program and the structure of the network could help individuals to overcome strategic uncertainty and achieve the most efficient equilibrium. In addition, we examine the relation between the behavioral measures in the games and the traditional measures of social capital. We obtain a robust result confirming the importance of the program on the existence of a social norm that allows individuals to overcome the coordination failure, social capital accumulation, and willingness to cooperate.

Does Poverty Really Impede Cognitive Function? Experimental Evidence From Tanzanian Fishers *Virginia Graves* Does the feeling of scarcity really impede cognitive function? Using experimental evidence from Tanzanian fishers, this study examines the connection between poverty and cognitive function. Fishers in the experiment are tested on how exposure to a 'scarcity trigger' impacts cognition and productivity through measuring performance on simple problem solving tasks. The study also creates an index of distractions to test how the variables in a fisher's life that may be linked with limited attention impact cognitive function and productivity.

Experiment results fail to find a significant impact of mental and financial scarcities on test performance. Although the study finds no significant correlations, this paper goes into an in-depth review of similar experiments and shows that the observed effects of scarcity on cognitive function are similar to those found in existing literature, although overall results on this topic are wide ranging and inconclusive. Additionally, use of randomization inference gives validity to the experimental results. Results do suggest that scarcities may hinder problem-solving abilities; therefore, poverty alleviation programs should be designed to consider the potential cognitive impacts of scarcity.

Tea Break

3:40 - 4:00 PM - at Baskin Plaza - Coffee, tea, and cookies

Fourth Parallel Session

4:00 - 5:20 PM

Room 192: Gender and Methods

Identifying Implicit Preferences From Choices *Tom Cunningham with Jon de Quidt* Psychologists have often made a distinction between two mental responses which can occur simultaneously, sometimes called "implicit" and "explicit." Implicit attitudes and preferences are usually identified by measuring involuntary reactions to a situation (such as reaction time, skin conductance), but there is dispute about the relevance to decision-making. We show that implicit preferences can be directly identified from choices, under the assumption that implicit influences are more powerful when tradeoffs between attributes are relatively indirect. We discuss experimental evidence measuring implicit racial attitudes and implicit consumer preferences.

After You: Gender And Group Decision-Making *Katherine Coffman with Pedro Bordalo, Nicola Gennaioli, and Andrei Shleifer* We use a controlled laboratory experiment to explore how gender and gender stereotypes impact team decision-making. Teams face problems from a variety of domains, both male and female-typed, and are rewarded when right answers are contributed. We focus on an individual's willingness to contribute her answers, varying the gender composition of the teams. While men respond to the gender-type of the category, contributing more often in male-typed categories than female-typed categories, they do not respond to the gender of their partner. Men are equally likely to provide their answers to their group whether they are paired with a man or a woman. Women, on the other hand, do respond to the gender of their partner. Conditional on how many answers they know and how confident they are in these answers, women are less willing to volunteer their answers when they are paired with men than when they are paired with women. This is particularly true in male-typed domains. Women fail to contribute 24% of their correct answers in male-typed categories when paired with women and 43% of their correct answers in male-typed categories when paired with men. We also find that having a male partner has a negative impact on the probability that a woman answers a male-typed question correctly. Conditional on a baseline measure of knowledge collected before the assignment of a partner, women are 8.4 percentage points less likely to answer a male-typed question correctly when paired with a man rather than a woman.

Understanding Decision Processes In Games: A Protocol Analysis Approach *C. Monica Capra* In this paper we use protocol analysis or concurrent verbal "thinking-aloud" protocols (Ericsson and Simon, 1984) to identify decision processes in games. In the context of the P-beauty contest game, we find that eliciting concurrent reports does not affect decisions compared to a control group, where participants made decisions without expressing their thoughts. Yet, the protocol allowed us to identify heterogeneous player types some of which were not previously included in decision-process models such as k-level reasoning and cognitive hierarchies. By asking participants to play the game a second time without feedback, we found that concurrent reports had a very small effect on introspective learning, making participants learn a little faster than otherwise. The think aloud protocol is an inexpensive way to collect process data and may be a useful tool for identifying empirical regularities regarding decision processes.

Your Loss Is My Gain: A Recruitment Experiment With Framed Incentives *Jonathan de Quidt* As predicted by loss aversion, numerous studies find that penalties elicit greater effort than bonuses, even when the underlying payoffs are identical. Loss aversion also predicts that workers will demand higher wages to accept penalty contracts, a plausible explanation for why they are rare. I recruited data entry workers under framed incentive contracts to test the second prediction. I reproduce the effort effect, but surprisingly penalty framing increased the job offer acceptance rate by 25 percent. Follow-up experiments replicate the finding and rule out explanations based on mistakes, different beliefs induced by the frame, a taste for penalties for self-commitment purposes, or "risk-seeking in the loss domain." For example, in one experiment I replicate the preference for penalties in a guessing task where the probability of success is known and independent of effort. The finding appears to be driven by a form of salience, whereby workers overweight the reference pay in their valuation. The results call for more research into how and when people form reference points.

Room 194: Information, Communication, Lots of Thinking

Dynamic Unstructured Bargaining With Private Information And Deadlines: Theory And Experiment *Alec Smith with Colin Camerer and Gideon Nave* We study dynamic unstructured bargaining with deadlines and one-sided private information, via theory and experiment. We predict the incidence of bargaining failures (''strikes'') and payoffs in each state by combining mechanism design and focal point approaches. Strikes are common in states with lower surpluses (''pies") and strike incidence is decreasing in the pie size. Subjects reach equal splits when strikes are efficient, while payoffs are unbalanced in states where strikes are inefficient, with additional surplus accruing to the informed player. We employ a machine learning approach to explore the information content of bargaining process data.

Mend Your Speech A Little: Authority, Communication, And Incentives To Coordinate *Piotr Evdokimov with Umberto Garfagnini* We design a laboratory experiment to study the behavior of organizations that use informal communication to resolve a trade-off between adaptation and coordination. In line with the theoretical predictions, we find that the quality of communication under centralization is significantly higher than that under decentralization if and only if the need to coordinate is low. Also as predicted, we find more coordination and less adaptation when the need to coordinate is high. Nevertheless, behavior shows significant and systematic deviations from equilibrium. Decentralized organizations (which have a comparative advantage in adaptation) show too little adaptation, and centralized organizations (which have a comparative advantage in coordination) show too little coordination. We hypothesize that decision makers underweight the importance of the task they are best at and find supporting evidence by structurally estimating the bias in subjects' decision rules.

From Lab To Theory: Proper Versus Improper Priors And The Social Value Of Public Information. *John Morgan with Donald J. Dale (Muhlenberg College)* Puzzled by results from laboratory experiments, we revisit the seminal Morris and Shin model of the social value of public information. Their model assumes that agents hold improper priors. We amend their model to allow for proper priors and show that the qualitative nature of equilibrium behavior—and welfare predictions—changes with this amendment. Under improper priors, the social value of public information is strictly decreasing in the weight individuals placed on coordinating with others and most likely to be negative when that weight is large. Under proper priors, neither prediction holds. The social value of public information is, generically, non-monotonic in the weight placed on coordination and is never negative when that weight is large. Finally, we present results from laboratory experiments in the Morris and Shin setting showing that behavior is closer to proper priors than improper priors.

Thinking Fast And Slow *Muriel Niederle with Judd Kessler (Wharton) and Hannu Kivimaeki (Stanford)* Kahneman's Thinking Fast and Slow has generated a lot of interest. Some recent work comparing choices of agents who were fast deciders compared to those who take more time seems to find evidence in favor of the hypothesis that fast choices are more "behavioral" while slow choices are more rational and more likely to be profit maximizing choices. This early work has generated a lot of controversy, with failures to replicate and papers arguing that speed of decision alone cannot be a good indicator of the kinds of decisions people make. We provide a new method to analyze whether quick fast choices are more "behavioral", specifically, more altruistic, than deliberate choices.

Disperse

6:00 PM - No-host pre-dinner gathering in the West End Tap Room

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