

# **4<sup>th</sup> Reading Experimental and Behavioural Economics Workshop (REBEW)**

**Organised by the Department of  
Economics, University of Reading**

**22 June 2021**

**Edith Morley Building 124,  
University of Reading Whiteknights Campus**

## Local Organisers:

- Steven Bosworth (s.j.bosworth@reading.ac.uk)
- Joo Young Jeon (j.jeon@reading.ac.uk)

## Keynote Speaker:

- Sanjit Dhami (University of Leicester)

## Regular Session Speakers:

- Steven Bosworth (University of Reading)
- Edward Cartwright (De Montfort University)
- Subhasish M. Chowdhury (University of Bath)
- Joo Young Jeon (University of Reading)
- Anett John (University of Birmingham)
- Ryan Rholes (University of Oxford)
- Abu Siddique (King's College London)
- Mengjie Wang (Cardiff University)
- Jiwei Zheng (Lancaster University)

## Schedule

Time	Schedule	Details
09.30-09.50	Registration	Coffee
09.50-10.00	Inauguration	The Department of Economics
10.00-11.15	Session 1: Coordination	Jiwei Zheng, Joo Young Jeon, Mengjie Wang
11.15-11.35	Break	Coffee
11.35-12.35	Keynote Speech	Sanjit Dhami
12.35-13.35	Break	Lunch
13.35-14.50	Session 2: Field	Anett John, Abu Siddique, Subhasish Chowdhury
14.50-15.10	Break	Coffee
15.10-16.35	Session 3: Labour	Ryan Rholes, Edward Cartwright, Steven Bosworth
17.00-18.00	End of workshop drinks	Park House
18.30-	Dinner	TBA

## Session Details

### Session 1: Coordination

**Title: Decomposed Games, Focal Points, and the Framing of Collective and Individual Interests**

**Authors:** Stefan Penczynski, Stefania Sitzia, **Jiwei Zheng**

**Abstract:** This study investigates whether the decomposition of a game - when implemented - influences behaviour in coordination games with focal points. For example, we investigate whether separating battle of the sexes games into a pure coordination component and the remaining battle of the sexes component changes coordination success. The literature attributes high coordination rates in pure coordination games with focal points to team reasoning and low coordination rates in related battle of the sexes games to level-k reasoning. We find that coordination success in decomposed games depends on the way of decomposition and order of component games.

**Title: Identity and Punishment in Coordination Games**

**Authors:** Zoë C. Bett, Subhasish M. Chowdhury, **Joo Young Jeon**

**Abstract:** Through a novel experimental design involving a modified battle of the sexes (BOS) game, we investigate the interaction between pure coordination, punishment, and information regarding others' gender. We define discriminative behavior as different strategy employed according to opponent's gender. We observe discrimination by males but not by females in a standard BOS game. However, the option to punish induces discrimination in females but not in males. When an option of inefficient equitable split of earnings is made available, then males are significantly more hawkish towards females than towards males, whereas females do not show such behavior. However, females significantly discriminate regarding who they play an equal strategy against, whereas males do not. We conclude that discriminative behavior is gender dependent, and also dependent on opportunities rather than threats.

**Title: The Determinants of Consumer Engagement: Valuing Engagement**

**Authors:** Amelia Fletcher, Bruce Lyons, Robert Sugden, Theodore Turocy, **Mengjie Wang**

**Abstract:** The extent to which consumers engage with different kinds of decision problems is a topic of serious concern to industry regulators. Our aim is to investigate what makes some consumer search problems more engaging than others. We have developed a novel experimental design in which subjects can choose which tasks to face. Each task is a hypothetical scenario of consumer search. Search tasks differ by type (choosing between energy tariffs and choosing between hotels) and by difficulty. The two task types are designed to differ on three dimensions, each of which is expected to make hotel tasks more

engaging. Subjects consider pairs of tasks that differ either by type or by difficulty, and report an incentivised monetary valuation of their strength of preference between them. We find that a large majority of subjects prefer hotel tasks and value the difference quite highly.

## **Keynote Speech: Sanjit Dhami**

**Title: Psychological and Social Motivations in Microfinance Contracts: Theory and Evidence**

**Authors: Sanjit Dhami, Junaid Arshad, Ali al-Nowaihi**

**Abstract:** We study, theoretically and empirically, the effort choices of microfinance borrowers under individual liability (IL) and joint liability (JL) contracts when loan repayments are made either privately or publicly. Our theoretical model identifies guilt aversion in a JL contract and shame aversion under public repayment of loans as the main psychological drivers of effort choice. Evidence from our lab-in-the-field experiment in Pakistan reveals large treatment effects and confirms the central roles of guilt and shame. Under private repayment, a JL contract increases effort by almost 100% relative to an IL contract. Under public repayment, effort levels are comparable under IL and JL contracts, indicating that shame aversion plays a more important role than guilt aversion. Under IL, public repayment relative to private repayment increases effort by 60%, confirming our shame-aversion hypothesis. Under JL, the private versus public repayment contrast shows that shame trumps guilt in explaining borrowers' effort choices.

## **Session 2: Field experiments**

**Title: Flexible Microcredit: Effects on Loan Repayment and Social Pressure**

**Authors: Kristina Czura, Anett John, Lisa Spantig**

**Abstract:** Flexible repayment benefits borrowers, but practitioners fear diminished repayment morale. We study repayment choices in rigid and flexible loan contracts with discretion in repayment timing. Using a lab-in-the-field experiment with microcredit borrowers in the Philippines, we identify moral hazard and quantify social pressure. In our rigid benchmark contract, repayment is higher than payoff maximization predicts. Flexibility substantially lowers both repayment and social pressure. Our results are consistent with a strong social norm for repayment, which is weakened by introducing flexibility. This suggests that cooperative behavior determined by social norms may erode if the applicability of these norms is not straightforward.

**Title: Forced Displacement, Mental Health, and Child Development: Evidence from the Rohingya Refugees**

**Authors:** Asad Islam, Tanvir Ahmed Mozumder, Tabassum Rahman, Tanvir Shatil, **Abu Siddique**

**Abstract:** Forced displacement is a major driver of mental disorders among refugees worldwide. Poor mental health of adult refugees, particularly mothers, is also considered a risk factor for the psychological well-being and development of their children. In this study, we experimentally examine the extent to which a multifaceted psychosocial program improves the mental well-being of refugee mothers, and facilitates growth and development among children under the age of two. In partnership with BRAC, we ran a cluster randomized controlled trial on 3,500 Rohingya mother-child dyads in refugee camps in Bangladesh. Participants were given weekly psychosocial support for a year that includes psychoeducation and parenting support for mothers and play activities for both mothers and children. The intervention was largely successful and led to: (i) reductions in the psychological trauma and depression severity of mothers and children, (ii) improvements in communication, gross-motor, problem-solving, and social skills of children, and (iii) reductions in stunting, underweight, and wasting among children in the treatment group. The intervention also caused the mental health of children to be more aligned with the mental health of their mothers, implying policies targeting the mental well-being of displaced mothers can be an important stepping stone to developing psychological resilience among their children, which can help them grow into well-rounded, healthy adults.

**Title: Eliciting Preferences regarding the Idea of Love Marriage in Rural India: Results from a List Experiment**

**Authors:** Subhasish M. Chowdhury, Arijita Dutta, Anindita Sen

**Abstract:** In India about 90% of all the marital unions are recognized as ‘Arranged marriage’ and the idea of ‘Love marriage’ (LM) is associated with stigma and an exception to the norm. In this study we investigate through a list experiment the mindset around the true preference of the idea of LM among the lower caste people in the state of Bihar. The baseline cohort was directly asked if they agree that it is okay for young people to go in for LM. The control cohort was presented with three non-sensitive statements and asked how many they agreed to. The treatment cohort was presented with the same three statements and one more relating to the opinion on LM. The results show that almost 90% of the subjects respond LM to be ‘unacceptable’ in baseline. However, this goes down to about 40% while eliciting true preference in the list experiment. Such differences are more acute for the poor, the lowest caste, and also for older subjects – but not across gender or education.

## Session 3: Labour

### **Title: Reference Dependence and the Role of Information Frictions**

**Authors:** Andrea Guido, Alejandro Martinez-Marquina, **Ryan Rholes**

**Abstract:** Decades of research highlight the importance of social preferences in strategic interactions. However, most studies assume full information and stable conditions. We relax both by introducing endowment shocks and information frictions into a labor market experiment. Workers evaluate wages relative to a reference wage that depends on economic conditions and adjusts instantaneously to information, but sluggishly and asymmetrically to experience. Firms form accurate beliefs about how shocks and information reshape effort responses and act on their beliefs. We find self-interest and reference dependence rationalize behavior previously attributed to other-regarding preferences. Counter-intuitively, information frictions do not always benefit the informed party.

### **Title: Own Experience Bias in a Labor Market Experiment**

**Authors:** Edward Cartwright, Myrna Wooders

**Abstract:** We explore in an experimental setting whether people's judgment of others is biased by own experience. Our experimental design consists of two stages. In the first stage subjects interact in employer-worker pairs where the worker can exert costly effort and the employer can give a bonus. As expected, there is considerable heterogeneity across pairs meaning that different workers are exposed to different experiences. Some learn that effort pays and some that effort does not pay. In the second stage of the experiment subjects are shown the bonus record (or CV) of workers from the first stage of the experiment and asked to guess effort. We observe that own experience creates a small bias in inferring the effort of others. Consistent with our predictions, the bias is primarily due to workers for whom effort did not pay underestimating the effort of workers with a 'good CV'.

### **Title: Prestige and Discrimination in Academia**

**Authors:** Steven Bosworth, Erin Hengel, Marina Della Giusta, Almudena Sevilla

**Abstract:** We investigate the departmental-level externalities of faculty gender on salaries in an administrative panel of UK academics. While the academic gender pay gap is well established, we show that having a greater proportion of male relative to female colleagues is associated with an additional wage premium, for both men *and for* women, controlling for fixed effects. This pattern is inconsistent with an amenity model of gender mix with fixed tastes for discrimination. We instead advance a novel model of employer-employee matching where the share of men employed by a department creates spurious prestige. When departmental prestige is complementary to ability in the production of research, higher wages and discrimination towards the favoured group (men) will be found at better endowed institutions.