

2nd Reading Experimental and Behavioural Economics Workshop (REBEW)

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

May 16, 2019

**Henley Business School G04,
University of Reading Whiteknights Campus**

Local Organisers at the University of Reading:

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

Keynote speakers:

- Jordi Brandts (Barcelona GSE, Spain)
- Marie Claire Villeval (CNRS, France)

Regular session speakers:

- Puja Bhattacharya (WZB, Germany)
- Steven Bosworth (University of Reading)
- Subhasish M. Chowdhury (University of Bath)
- Francesco Fallucchi (LISER, Luxembourg)
- Joo Young Jeon (University of Reading)
- Lingqing Jiang (University of Essex)
- Ryan Kendall (University College London)
- Robertas Zubrickas (University of Bath)

Schedule

Time	Schedule	Details
08.45-09.00	Registration	Coffee
09.00-09.10	Inauguration	
09.10-10.50	Session 1:	Bosworth, Jiang, Zubrickas, Kendall
10.50-11.10	Break	Coffee
11.10-12.10	Keynote 1:	Marie Claire Villeval
12.10-13.10	Break	Lunch
13.10-14.50	Session 2:	Jeon, Bhattacharya, Chowdhury, Fallucchi
14.50-15.10	Break	Coffee
15.10-16.10	Keynote 2:	Jordi Brandts
16.30-18.00	End of workshop drinks	
18.00-	Dinner	

Session Details

Session 1: Cooperation and Coordination

Title: DIY or ask someone nice?

Authors: Steven Bosworth (Reading), Sophie Clot (Reading) and Marina Della Giusta (Reading)

Abstract: We experimentally prime gender stereotypes to assess the effect of beliefs about gender in selecting oneself or a designated person to carry out a volunteering task. We find that women offer to volunteer more than men, and that while neither the emotional affect nor the gender of the nominated person per se influence designation, men in the unprimed condition are more likely to designate women. Gender priming reduces designations and increases volunteering for all, but men nominate fewer women whilst women reduce their delegation more uniformly. Our results provide evidence of both stereotyping by men and self-stereotyping by women.

Title: Activity substitution or spillover? Evidence from an online maternity community

Authors: Lingqing Jiang (Essex) and Zhen Zhu (Greenwich)

Abstract: Social support plays an important role in maternal well-being and infant health outcomes. Online maternity communities facilitate such social support, e.g. by assigning users to peer groups where they can exchange information and experience during the whole pregnancy period. This paper investigates the effects of the additional exposure to other peer groups on users' activities. We utilise the fact that peer groups are determined according to users' estimated due date (EDD) and use the EDD as an instrument. We found clear evidence for substitution effects and marginal evidence for spillover effects on users' activities.

Title: Better crowdfunding

Authors: Timothy N. Cason (Purdue), Alexander Tabarrok (George Mason) and Robertas Zubrickas (Bath)

Abstract: This paper is concerned with the problem of improving crowdfunding for public good provision. The assurance contract used in crowdfunding has weak implementation properties which lead to low provision rates. First, we argue that campaigns' failures are due to conditionally cooperative behaviour where the condition is sufficiently large early contributions. Then, we extend the assurance contract with refund bonuses payable only if the campaign's target is not reached. We experimentally show that refund bonuses double the rate of provision and are financially self-sustainable. Designs that offer bonuses only for early contributions do as well as designs with bonuses for all contributions. But the designs with bonuses for only early contributions have superior cost-benefit properties.

Title: Decomposing coordination failure in stag hunt games

Author: Ryan Kendall (UCL)

Abstract: What payoff factors influence choices in Stag Hunt games where a payoff-dominant and a risk-dominant equilibrium exist? Previous models have addressed this question. This paper shows a disconnection between these models and human choices. To do so, I rely on a mathematical approach to uniquely decompose any 2x2 Stag Hunt game into three payoff components: strategic, behavioural, and kernel. This characterization allows for novel explanations of payoff and risk dominance as well as a way to create multiple Stag Hunt games which do not differ in their theoretical predictions. A laboratory experiment shows that, in such games, humans behave differently.

Keynote Lecture 1: Marie Claire Villeval

Title: Morals in financial markets: The role of reputation and competition

Authors: Marie Claire Villeval (CNRS) and Chloe Tergiman (Penn State)

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

Session 2: Markets and Contests

Title: Profitability and collusion: An experimental investigation

Authors: Subhasish Chowdhury (Bath), Stephen Davies (UEA), Joo Young Jeon (Reading) and Frederick Wandschneider (CEG)

Abstract: To investigate the effects of profitability on collusive behaviour, we introduce a 2x2 design: two identical Bertrand markets that differs in terms of the highest possible profitability, and the availability of communication. The results show more occurrences of cartels in low profit markets, but more stable cartels in high profit markets. The prices charged by explicit cartels are not different in the two markets, but prices charged by non-cartel firms with communication indicate possible tacit collusion. Furthermore, even with no-communication, firms on average try to charge a (proportionately) higher price in the high profitability market.

Title: Contests within and between groups

Authors: Puja Bhattacharya (WBZ) and Jeevant Rampal (IIMA)

Abstract: We examine behaviour in a two-stage group contest where the first stage comprises of intra-group contests, followed by an inter-group contest in the second stage. The inter-group contest determines the winning group while the intra-group contest determines prospectively the distribution of the reward among the members of the winning group. The model generates a ‘discouragement effect’: losers from the first stage exert less effort in the second stage than winners. We consider asymmetry between groups arising from a biased contest success function in the second stage. Although the asymmetry occurs in the second stage, the effect of the asymmetry plays out in the first stage, with the intra-group contest being more intense for the advantaged group. Experimental results find broad support for the qualitative predictions of the model.

Title: Identifying types in contest experiments

Authors: Francesco Fallucchi (LISER), Andrea Mercatanti (LISER), and Jan Niederreiter (IMT Lucca)

Abstract: We apply the classifier-Lasso (Su et al., 2016) to detect the presence of latent groups in contest experiments. Our results suggest that there exist three distinct types of players, the majority of them playing a ‘good for good’ and ‘evil for evil’ response to opponents’ previous choices. Moreover, a significant share of subjects does not seem to play a meaningful behavioural strategy and only a minority acts in accordance with the strategic nature of the game.

Title: Focality and asymmetry in multi-battle contests

Author: Subhasish Chowdhury (Bath), Dan Kovenock (Chapman), David Rojo Arjona (Chapman), and Nathaniel Wilcox (Chapman)

Abstract: This article examines behaviour in Colonel Blotto games with a lottery contest success function. Recent experimental research provides only partial support for Nash equilibrium behaviour. We hypothesize that the salience of battlefields affects strategic behaviour (the salient target hypothesis) and present a controlled test of this hypothesis against Nash predictions. When the sources of salience come from asymmetries in battlefield values or labels (as in Schelling (1960)), subjects over-allocate the resource to the salient battlefields relative to the Nash prediction. However, the effect is stronger with salient values. In the absence of salience, we find support for the Nash prediction.

Keynote Lecture 2: Jordi Brandts

Title: Dispelling misconceived beliefs about rent control: Insights from a field and a lab experiment

Author: Jordi Brandts (GSE), Isabel Busom (Universitat Autònoma de Barcelona), Cristina Lopez-Mayan (Universitat Politècnica de Catalunya), Judith Panadés (GSE)

Abstract: False beliefs about natural, health and socio-economic issues are pervasive in society. Many persist even when contradicted by scientific evidence. Research in cognitive psychology shows that this behaviour relates to several cognitive biases. Consequently, dispelling misconceptions may be hard, even after exposure to sound information. We conduct a field and a lab experiment to investigate the effect of a particular communication strategy, the refutation text, previously used in the natural sciences and psychology, on a widespread economic misconception: the belief that rent controls make housing available to more people. Our interest is in successfully communicating social science results to the general public and in effectively teaching economics. We find that in the field a refutation text induces a significant belief change in the direction of expert reasoning and of evidence.

Post-workshop

End of Workshop Drinks: Park House

Dinner at 6pm