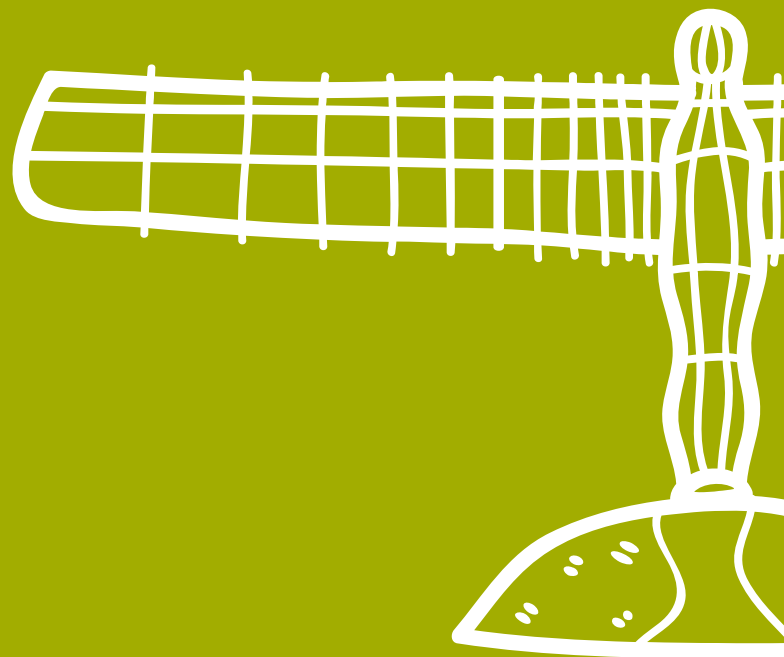


# Newcastle Experimental Economics Workshop 2022



**10-11 November 2022**



Version: 2022-11-04

# Programme

## Thursday, 10 November 2022

12:30-13:25	Registration & lunch
13:25-13:30	Welcome by the Dean of Newcastle University Business School
13:30-15:00	Submitted talks 1 (Session chair: Jason Shachat) <ol style="list-style-type: none"><li>1. Repugnant transactions: The role of agency and extreme consequences <i>Hande Erkut (WZB Berlin Social Science Center)</i></li><li>2. Personal norms – and not only social norms – shape economic behavior <i>Zvonimir Bašić (Max Planck Institute, Bonn)</i></li><li>3. In-group versus Out-group Preferences in Intergroup Conflict: An Experiment <i>Subhasish Chowdhury (University of Sheffield)</i></li><li>4. Contingent Payments in Procurement Interactions – Experimental Evidence <i>Matt Walker (Newcastle University)</i></li></ol>
15:00-15:15	Coffee/tea
15:15-16:45	Submitted talks 2 (Session chair: Jytte Sesteed Nielsen) <ol style="list-style-type: none"><li>1. Risk and Plausible Deniability in Public Good Games <i>Danae Arroyos-Calvera (University of Birmingham)</i></li><li>2. Socially desirable answers in clinical settings. What matters for patients' disclosure of relevant information? <i>Pablo Ignacio Soto Mota (Norwegian School of Economics)</i></li><li>3. Social learning under ambiguity – an experimental study <i>Fabian Bopp (Paderborn University)</i></li><li>4. Does social exclusion affect task performance? <i>Despoina Alempaki (University of Warwick)</i></li></ol>
16:45-17:00	Coffee/tea
17:00-18:00	Keynote lecture 1: "Opinion Aggregation" <i>Friederike Mengel (University of Essex)</i>
19:30	Dinner at The Magic Hat Café

## Friday, 11 November 2022

8:30-9:00	Coffee/tea
9:00-10:00	Keynote lecture 2: "Risk and social preferences predict risky sexual behaviour amongst youth in a high HIV-prevalence setting" <i>Matteo M Galizzi (LSE)</i>
10:00-10:15	Coffee/tea
10:15-11:45	Submitted talks 3 (Session chair: Darren Duxbury) <ol style="list-style-type: none"><li>1. Reverse Bayesianism: Revising Beliefs in Light of Unforeseen Events <i>Andis Sofianos (Durham University)</i></li><li>2. Memory, mood and overconfidence <i>Alberto Prati (UCL &amp; University of Oxford)</i></li><li>3. Cognitive Reflection and 2D:4D: Evidence from a Large Population Sample <i>Levent Neyse (WZB, Berlin &amp; DIW, Berlin)</i></li><li>4. The heritability of economic preferences <i>Hong Il Yoo (Loughborough University)</i></li></ol>
11:45-12:00	Coffee/tea
12:00-13:10	Submitted talks 4 (Session chair: Sue Chilton) <ol style="list-style-type: none"><li>1. Risk and ambiguity preferences in the climate change context <i>Sarah Van Driessche (University of Lorraine)</i></li><li>2. A risk-risk trade-off analysis of heatwave-related mortality risk <i>Irene Mussio (Newcastle University)</i></li><li>3. Incentivizing stated preference elicitation with choice-matching in the field <i>Ewa Zawojaska (University of Warsaw)</i></li></ol>
13:10-14:00	Lunch

## Workshop venue

The workshop will be held at The Catalyst in rooms Gorgon and Faraday (1st floor). The Catalyst is located in the newly developed city centre innovation district next to the Newcastle University Business School. It is in walking distance of Newcastle Central Station (approx. 15 minutes). The closest Metro stop is "St James" (approx. 5 minutes). For public transport information see: <https://www.nexus.org.uk/>

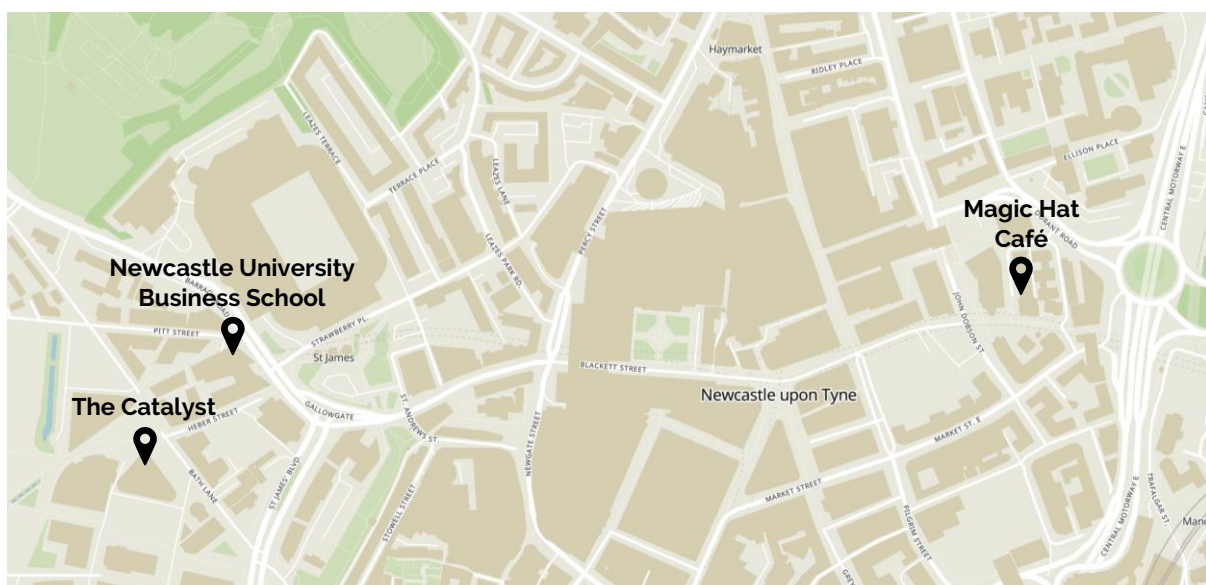
The Catalyst  
3 Science Square  
Newcastle Helix  
Newcastle upon Tyne  
NE4 5TG

## Dinner venue

We booked the Magic Hat Café for dinner on Thursday, 10 November 2022, from 7.30pm. The Magic Hat Café is located in the city centre and is committed to providing fresh, colourful and delicious meals in a sustainable way. Walking from The Catalyst to the Magic Hat Café will take approximately 15 minutes.

Magic Hat Café  
Higham House  
Higham Place  
Newcastle upon Tyne  
NE1 8AF

<http://www.themagichatcafe.co.uk>



## Notes for chairs and presenters

Each presentation will last approximately 22 minutes. You can divide this time between your presentation and the discussion as you prefer. However, we recommend leaving at least 5 minutes for the discussion. Each session has a designated chair who is responsible for timekeeping and moderating the discussions. A computer with MS Windows will be available in the room. Your presentation should be in PowerPoint or PDF format. Please bring your presentation on a USB flash drive and copy your slides onto the computer before the start of your session.

## Lunch and coffee breaks

Buffet lunch will be served on the landing in front of Gorgon and Faraday. Tea and coffee will be available during breaks. We encourage you to bring a reusable water bottle which can be refilled at the water fountain.

## Internet

Please select the Wifi network "Eduroam". You will need your University username and password to sign in. Alternatively, you can connect to the network "Catalyst" using the username "OXINN-Event" and password "event-6YJh!".

## Contact information

If you have any questions, please contact the workshop organisers:

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# Abstracts

## Keynote lectures

Opinion Aggregation

*Friederike Mengel (University of Essex)*

*Abstract:* The talk will provide a summary of my past and current research on Opinion Aggregation. We will talk about how people learn from their neighbours in social networks and how they deliberate in committees. We will identify cases where communication leads to biased decisions and where it is effective in eliminating biases. Implications for the optimal design of committees will also be discussed.

Risk and social preferences predict risky sexual behaviour amongst youth in a high HIV-prevalence setting

*Matteo M Galizzi (LSE)*

*Abstract:* Young people in sub-Saharan Africa are particularly at high risk of HIV and other sexually transmitted infections. Using data from incentivized economic experiments conducted amongst 1,568 persons aged 15-29 years in Zimbabwe, we document the association between key individual preferences - risk aversion, altruism, present-bias and future-bias - at baseline and laboratory confirmed Herpes Simplex Virus type 2 (HSV-2) status and number of sexual partners measured 12 months later. We find preferences are predictive of HIV risk behaviours. Women measured to be more altruistic at baseline were more likely to be HSV-2 positive 12 months later. Men measured to be risk averse at baseline were less likely to be HSV-2 positive at follow-up. There is limited association of preferences with number of sexual partners. We also show that preferences make a prominent relative contribution to predicting HIV risk behaviours, compared to other observable factors. Results highlight gender differences in the influence of preferences on HIV risk behaviours and potential for future research to design targeted interventions based on preferences.

## Submitted talks 1

Repugnant transactions: The role of agency and extreme consequences

*Hande Erkut (WZB Berlin Social Science Center) with Dorothea Kübler*

*Abstract:* Some transactions are restricted or prohibited, although people may want to engage in them (e.g., the sale of human organs, surrogacy, and prostitution). It is not well understood what causes a judgement of repugnance. We study two potential reasons: lack of agency of the parties and extreme consequences of the transaction. Limited agency arises, e.g., when one party cannot decide freely because she is not able to reject the transaction offered, or a third person takes the decision on her behalf. In a laboratory experiment, we ask spectators whether they want to prohibit a transaction or not. We find that transactions with extreme outcomes (listening to a painful tone) are more frequently prohibited than those with mild outcomes (waiting in the laboratory). We also show that lack of agency and extreme outcomes reinforce each other, where the combination of both properties leads to prohibition rates of up to 80 percent.

Personal norms—and not only social norms—shape economic behavior

*Zvonimir Bašić (Max Planck Institute, Bonn) with Eugenio Verrina*

*Abstract:* We propose a simple utility framework and design a novel two-part experiment to study the relevance of personal norms across various economic games and settings. We show that personal norms—together with social norms and monetary payoff—are highly predictive of individuals' behavior. Moreover, they are: i) distinct from social norms across a series of economic contexts, ii) robust to an exogenous increase in the salience of social norms, and iii) complementary to social norms in predicting behavior. Our findings support personal norms as a key driver of economic behavior.

In-group versus Out-group Preferences in Intergroup Conflict: An Experiment

*Subhasish Chowdhury (University of Sheffield) with Anwesha Mukherjee and Roman M. Sheremeta*

*Abstract:* Individuals participating in a group conflict have different preferences, e.g., maximizing their own payoff, maximizing the group's payoff, or defeating the rivals. When such preferences are present simultaneously, it is difficult to distinctly identify the impact of those preferences on conflict. In order to separate in-group and out-group preferences, we conduct an experiment in which human in-group or out-group players are removed while keeping the game strategically similar. Our design allows us to study (i) how effort in a group conflict vary due to in-group and out-group preferences, and (ii) how the impact of these preferences vary when the two groups have explicitly different social identities. The results of our experiment show that the presence of in-groups enhances concern about individual payoffs. A further presence of out-groups moderates the concern for individual payoffs through an additional concern for own group payoffs. The negative effect of the in-group preferences and the positive effect of the out-group preferences are weaker when group members have a common social identity.

Contingent Payments in Procurement Interactions – Experimental Evidence

*Matt Walker (Newcastle University) with Jason Shachat and Lijia Wei*

*Abstract:* A chief objective of creating competition among suppliers is the procurement of higher quality goods and services at lower prices. In the procurement of non-standard goods and services, it is difficult to write a complete specification of desired quality in the contract. When the quality is costly and determined by the supplier ex post to contracting, a moral hazard arises. We consider a correlated contingent payment contract that can mitigate the supplier moral hazard while retaining supplier selection based on price. We show, both theoretically and experimentally, there is a "Goldilocks" region for high quality to emerge in which the probability that a contingent payment be realized is large enough to reward high supplier performance, but not so large as to induce overly aggressive bidding competition. A robust experimental result is that suppliers earn greater than expected profits inside this region. We estimate a structural model of bounded rationality to show that risk aversion can explain this result. We also find evidence that contingent payments substitute for trust in the buyer-supplier relationship, which is reinforced by data from a follow-up experiment. The results have managerial implications for the design of contingent payments in contracts.



## Submitted talks 2

Risk and Plausible Deniability in Public Good Games

*Danae Arroyos-Calvera (University of Birmingham) with Andis Sofianos*

*Abstract:* It is commonly found in public good games (PGG) that uncertainty about the returns of the good leads to a decrease in contributions. We aim to provide further evidence of this effect, and explore whether it could be driven by the plausible deniability about one's selfishness that risk offers: a justification for yourself that the risk made contributing futile, and/or towards others that you contributed but were negatively affected by risk. We explore this by varying whether the returns from the PGG are certain or risky, and whether participants can hide behind risk to justify their free-riding. Contrary to most but not all previous studies, we find higher contributions in our risky treatments. This may be driven by participants being optimistic about their MPCR; or perhaps by compensatory behaviour, which would drive up contributions to compensate for the risk. We found no difference between our risky treatments, suggesting that excuses did not lead to changes in contributions beyond those caused by the riskiness of returns. In line with results in lying and cheating studies, we find that plausible deniability is not exploited when it would justify a big departure from prosocial behaviour. The extent to which effects of plausible deniability extend to contexts other than allocation tasks (as in the seminal moral wiggle room study by Dana et al, 2007) has received considerable attention in the literature and here we offer some evidence of a limited effect in the context of public good contributions.

Socially desirable answers in clinical settings. What matters for patients' disclosure of relevant information?

*Pablo Ignacio Soto-Mota (Norwegian School of Economics) with Andrés Castañeda Prado, Adrian Soto-Mota and Alfonso Gulias-Herrero*

*Abstract:* Image concerns are a common motive for dishonest behaviour. However, lying to appear more socially desirable can come at a cost. There is plenty of evidence that some patients misreport sensitive information to their doctors to avoid feeling judged or ashamed of their habits. Patients' misreports are a cause for concern because they can significantly affect diagnoses and patients' health. However, there is scarce experimental evidence to answer if we can enhance patients' disclosure of relevant information and the role of gender concordance between doctors and patients in this behaviour. To contribute to this literature, we conducted a field experiment in Mexico City in six clinics with 1,174 patients. We randomly assigned some patients to male (n=28) or (n=8) female doctors. Also, we varied how doctors asked questions about alcohol and vegetable consumption. We observed suggestive evidence of an effect of the gender of the doctor on patients' reports and, therefore, on dishonest behaviour. Male patients report less alcohol and vegetable consumption to female doctors than to their male counterparts. We do not observe such a difference for female patients. Also, we found that the way doctors ask these questions does not affect patients' answers. Our results imply that simple strategies to avoid social-desirable answers in clinical settings might not be enough to improve the quality of patients' reports. However, concordance of some characteristics between patients and doctors may increase trust and enhance honesty.

Social learning under ambiguity – an experimental study

*Fabian Bopp (Paderborn University) with Sara le Roux*

*Abstract:* The social media age has meant that many behaviours spread through contact with others and the extent to which people adopt/imitate behaviour, can critically affect whether policymakers are successful when introducing new initiatives. In many situations people can

either make decisions based on their own intuitive signals or follow a social signal. Depending on the quality of the signals one might be more informative than the other. This project aims to better understand how people use social information to learn in ambiguous situations, when both the private and the social signal are not perfectly informative. We conduct an experimental study that observes whether people are prone to imitate others in risky and ambiguous environments, and in gain/loss domain settings. We find that individuals do significantly learn from social information, independent of the framing. Social learning behaviour is not significantly affected by ambiguity, i.e., the ambiguity treatment has a null result.

Does social exclusion affect task performance?

*Despoina Alempaki (University of Warwick) with Gönül Doğan*

*Abstract:* In this project, we investigate whether social exclusion affects performance. Social exclusion is psychologically costly, and could also signal low ability. We incorporate these two aspects of social exclusion in a model that shows that (i) irrespective of the cause of social exclusion, being excluded decreases subsequent performance, (ii) the possibility of future social exclusion increases average performance, and (iii) excluded individuals adjust their beliefs about their own ability downwards hence exert lower effort. We test these predictions using a laboratory experiment. Contrary to our predictions, we find that excluded individuals increase their performance after being excluded only if exclusion informs on low performance. Under the threat of exclusion, some individuals reduce their performance, and are then excluded.

### **Submitted talks 3**

Reverse Bayesianism: Revising Beliefs in Light of Unforeseen Events

*Andis Sofianos (Durham University) with Christoph K. Becker, Tigran Melkonyan, Eugenio Proto and Stefan T. Trautmann*

*Abstract:* Bayesian updating is the dominant theory of learning. However, the theory is silent about how individuals react to events that were previously unforeseeable or unforeseen. We test if subjects update their beliefs according to "reverse Bayesianism", under which the relative likelihoods of prior beliefs remain unchanged after an unforeseen event materializes. Across two experiments we find that participants do not systematically deviate from reverse Bayesianism. However, we do find well-known violations of Bayesian updating. Furthermore, decision makers vary in their ex-ante unawareness depending on the context.

Memory, mood and overconfidence

*Alberto Prati (UCL & University of Oxford) with Charlotte Saucet*

*Abstract:* Why are people overconfident in spite of the negative feedback they receive? Psychology and economic studies have put forward the role of biased memory. Individuals tend to better recall positive feedback than negative feedback. The typical explanation for this asymmetry is the self-enhancement effect: people prioritize positive information to enhance their self-image. An alternative explanation is the mood-congruency effect: positive information is easier to recall for individuals in non-negative mood. In a laboratory experiment where we exogenously manipulate mood, we test the existence and the relative dominance of these two effects. Our results support the self-enhancement hypothesis: individuals better recall positive than negative feedback, even when they are in a negative mood. When they do not recall, they exhibit overly optimistic recall of past feedback, regardless of their mood. Conversely, we find no clear evidence of mood congruency. These results suggest that mood does not impact recall

accuracy of self-relevant information, and overconfident behaviors can be alleviated by intervening on individuals' beliefs.

#### Cognitive Reflection and 2D:4D: Evidence from a Large Population Sample

*Levent Neyse (WZB, Berlin & DIW, Berlin) with Frank M. Fossen, Magnus Johannesson and Anna Dreber*

*Abstract:* Bosch-Domènech et al. (2014) reported a negative association between 2D:4D, a suggested marker of prenatal testosterone exposure, and the Cognitive Reflection Test (CRT) in a sample of 623 university students. In this pre-registered study, we test if we can replicate their findings in a general population sample of over 2,500 individuals from Germany. We find no statistically significant association between 2D:4D and the CRT in any of our primary hypothesis tests, or in any of our pre-registered exploratory analyses and robustness tests. The evidence is strong (based on the 99.5% confidence intervals in all three primary hypothesis tests) against effect sizes in the hypothesized direction larger than 0.075 CRT units (0.073 of the CRT standard deviation) for a one standard deviation change in 2D:4D.

#### The heritability of economic preferences

*Hong Il Yoo (Loughborough University) with Nathan Kettlewell and Agnieszka Tymula*

*Abstract:* Economic preferences, like risk aversion and future discounting, are fundamental components of decision making. Our paper concerns itself with a fundamental question on the nature of economic preferences—where do they come from? To what extent are they determined by our environment and our genes? We provide evidence on the heritability of experimentally elicited economic preferences (with real monetary incentives) using a new dataset from a field experiment with Australian adult twins. We decompose variation, in terms of nature and nurture, for many different types of preference—risk aversion (under both known and unknown risks), ambiguity aversion, future discounting and present bias. We estimate structural choice models and, for the first time, decompose variation in underlying preference parameters. In doing so we extend the basic twin ACE genetic decomposition model to classes of structural decision models that are staples of economic decision theory, including expected utility theory (EUT), rank-dependent utility (RDU) and exponential and quasi-hyperbolic discounting. Our paper also addresses another shortcoming of earlier research—measurement error. Measurement error is a serious concern in twin studies—estimates that do not correct for measurement error will underestimate the role of genes and overestimate the role of unique environment.

### **Submitted talks 4**

#### Risk and ambiguity preferences in the climate change context

*Sarah Van Driessche (University of Lorraine) with Kene Boun My and Marielle Brunette*

*Abstract:* In this paper, we analyze the role of risk and ambiguity preferences on the decision to mitigate or to adapt to climate change. We run an experiment where every group of four subjects is exposed to a climate risk that can entail a loss for each group member. Subjects must decide on the allocation of their resources between mitigation policies that allow them to decrease the probability of a climate disaster occurring for the group, and adaptation policies that allow them to reduce the magnitude of that disaster for themselves only. In a first treatment, subjects perfectly know the probability of occurrence of the climate event. We introduce ambiguity with regard to that probability in a second treatment, and in a third treatment, subjects have the possibility to pay to obtain information allowing them to eliminate ambiguity. The results show

that the introduction of ambiguity and the possibility to obtain information have no impact on average contributions. However, individual decisions to mitigate or to adapt are affected by preferences toward risk and ambiguity. Ambiguity preferences also explain the intensity of the willingness to pay to obtain information.

A risk-risk trade-off analysis of heatwave-related mortality risk

*Irene Mussio (Newcastle University) with Sue Chilton, Darren Duxbury, Jytte Sesteed Nielsen and Smriti Sharma*

*Abstract:* As climate variability is increasing, extreme events such as temperature fluctuations will be more frequent. For the case of India, the country's exposure to heatwaves has risen in frequency, reaching temperature records in 2022. For policy-making purposes, there is an urgent need to understand measure citizens' preferences with respect to increasing climate change risks and value those risks. However, in income-constrained populations, the use of WTP for avoiding increased mortality risks might be a controversial approach. We adapt a double bounded, dichotomous choice approach to measure individual non-monetary risk-risk trade-offs. This low-cost method allows us to summarize how much people value heatwave mortality risks into a context premium, which could be later used to calculate a heatwave-specific VSL. Our results shows that on average, people care about avoiding heatwave-related mortality risks. Individuals in our sample of seven geographical states in India value avoiding increased heatwave-related mortality risks at an average of 1.85 times the rate of traffic accident mortality risks. Our second objective was to value avoiding increased heatwave mortality risks in India – that is, being able to calculate the VSL for heatwaves. Since VSLs for LMICs are sparse, we used benefit transfer to calculate the VSL under different assumptions. This gives us a range of VSLs for heatwave mortality risks for India of \$0.30-2.14 million (2021 US Dollar values).

Incentivizing stated preference elicitation with choice-matching in the field

*Ewa Zawajska (University of Warsaw) with Michał Krawczyk*

*Abstract:* Stated preferences should ideally be elicited in ways providing respondents with economic incentives to report them truthfully. Survey design conditions for such incentive compatibility typically rely on consequentiality; that is, respondents' perceptions that their survey responses matter for the final decision. By contrast, this study aims at testing empirically a novel theoretical approach, which allows for incentive-compatible elicitation of preferences towards a hypothetical good. Proposed by Cvitanić et al. (2019), the choice-matching approach is applied here to elicit stated preferences towards a public good. While choice-matching has been originally designed for incentivizing responses to a multiple choice question, we illustrate its possible application to an open-ended question. To that end, we conduct an online experiment mirroring a standard stated preference survey as used for valuation of public goods. We implement two versions of the survey questionnaire: one employing the incentive-compatible choice-matching approach and another representing a common non-incentivized setting. We find that the open-ended willingness-to-pay values are statistically significantly higher when stated under choice-matching than when expressed in the typical, non-incentivized conditions. The paper discusses why the results may be regarded as support of the use of choice-matching for stated preference elicitation.

Notes

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