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## AWI This Week

### **Dienstag, 25. 5. 10**

### **Alfred-Weber-Lecture**

18.15 Uhr  
Alte Aula  
Grabengasse 1

Prof. em. Dr. Dr. Karl Homann  
"Wettbewerb und Ethik"

### **Wednesday, 26. 5. 10**

### **Internal Seminar**

17.15-18.45  
AWI 00.010

Julia Müller  
"There's more to it than meets the eye - an eye-tracking  
experiment on the beauty contest game"

### Internal Seminar

"There's more to it than meets the eye - an eye-tracking experiment on the beauty contest game"\*

The beauty contest game has been used to test how many "levels of reasoning" ordinary people are able to perform. The unique Nash-equilibrium of the game is zero and can be reached by iterated elimination of dominated strategies. Empirically, however, players usually do not state zero, but rather choose a number that indicates that only one or two iterations (of either best response or eliminating dominated strategies), leading towards zero in equilibrium, have been made. Using Eye-tracking permits to investigate the procedures subjects use in choosing a number and informs us what numbers subjects contemplated to choose. We found that the evidence with respect to levels of reasoning is less clear than so far assumed. We find different strategies that look similar when just focusing on the number stated: Choosing a number associated with level-1 or level-2 reasoning can in fact be the outcome of level-1 or level-2 reasoning, but it can also be the outcome of people reasoning further than that level and then adjusting their finally chosen number to their beliefs what other people might do. We study which numbers the decision makers contemplated before finally stating a number. In many cases we discover that subjects contemplate choosing low numbers, and later go back and choose a number consistent with level-1 or level-2 reasoning. We cannot reject with our data that some people do only level-1 or level-2 reasoning, but we can show that not all cases that seemingly are level-1 or level-2 thinking indeed are – they might be highly sophisticated adaptation to beliefs about other people's limited reasoning abilities.

\*with Christiane Schwieren

## Talks and Research Visits

**Jürgen Eichberger** attended the Workshop on Risk, Ambiguity, and Decisions in honor of Daniel Ellsberg in Vienna on May 10-12. His paper "Optimism and Pessimism in Games" was presented by co-author David Kelsey.

**Adam Dominiak** attended the Workshop in honor of Daniel Ellsberg in Vienna. He presented his paper (joint with Wendelin Schnedler) "Attitudes towards Uncertainty and Randomization: An Experimental Study".

## New Publications

Christiane Schwieler's paper "Women can't jump? - An experiment on competitive attitudes and stereotype threat" (together with C. Günther, N. Arslan-Ekinci & M. Strobel) has been accepted for publication in *Journal of Economic Behavior & Organization*.

Wendelin Schnedler's paper "You Don't Always Get What You Pay For" has been accepted for publication in *German Economic Review*.

**Editorial deadline for issue 12/2010 of the newsletter:  
Wednesday, May 26, 2010, 12 o'clock  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

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