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## Upcoming Seminars

### **Tuesday, 6.6.2017**

#### **Economics and Politics Seminar**

13.45-14.45

Malte Lierl, Yale University

AWI 01.030

"Cooperation under the Risk of Capture: Why Citizens Pay Taxes That Can Be Embezzled"

### **Wednesday, 7.6.2017**

#### **Internal Seminar**

12.15-13.15

Robert Schmidt

AWI 00.010

"Implementing Fair Procedures?"

### Economics and Politics Seminar

Malte Lierl

"Cooperation under the Risk of Capture: Why Citizens Pay Taxes That Can Be Embezzled"

Why do citizens pay hard-to-enforce local taxes, if public funds are likely to be embezzled? Evidence from behavioral experiments with village residents in Tanzania suggests that local norms of moderation in embezzlement can facilitate voluntary contributions to public goods. In villages where greater moderation in embezzlement can be expected, citizens' contribution preferences are less sensitive to the possibility that their contributions can be embezzled. Voluntary moderation in embezzlement can be explained by several behavioral mechanisms, including in-group solidarity, reciprocity, and norms of trusteeship. The findings have important implications for our understanding of tax compliance and public goods provision in situations where limited enforcement capacity coincides with weak public accountability.

### Internal Seminar

Robert Schmidt

"Implementing Fair Procedures?"

We experimentally study situations in which a decision maker allocates resources to two agents. The allocation will be unequal, but the allocation procedure may be fair. However, procedural fairness might be violated by favoritism. This feature is common in many practical settings, including governance, medical and educational settings. We study the perception of procedural and outcome fairness in this setting, and the reaction to different allocation procedures by the decision maker and the affected agents. We find that unfair outcomes are acceptable for the agents if procedures are perceived as fair. However, with opaque allocation decisions, it may be difficult to commit to fair allocation procedures. Indeed, we find a very high degree of favoritism by the decision makers when they are forced to allocate unequal outcomes, and have no fair (random) procedure available. Despite the unfair allocation behavior, poor-outcome agents punish the decision maker only modestly; in contrast, good-outcome agents reward substantially. We consider three interventions to get more insights into the underlying decision processes. First, we provide full transparency about the decision by the allocator. This does not reduce favoritism, but reduces rewards and increases punishments, by the affected agents. Second, we provide the allocator with a randomization device. Although agents are not informed about the randomization decision (but know about the possibility), a large share of allocators chooses a fair procedure. Agents do not punish bad outcomes, optimistically expecting allocators to allocate fairly. Third, we allow the allocators to delegate their decision publicly to a fair random device. A large share of allocators is willing to even costly delegate.

## New Working Papers

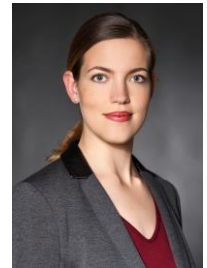
Johanna F. Ziegel, Fabian Krüger, Alexander Jordan, and Fernando Fasciati: "Murphy Diagrams: Forecast Evaluation of Expected Shortfall", *AWI Discussion Paper Series*, No 632.

## New and Leaving Staff

Lisa Björk joins the Multi-Tip research group with Timo Goeschl as a postdoc in cognitive psychology. She holds a PhD in Economics from the University of Gothenburg and a B.Sc. in political science from Uppsala University. Her fields of interest are environmental economics, particularly fisheries, and behavioral economics.



Lisa-Marie Schwanebeck joined the AWI as a Ph.D. candidate under the supervision of Christiane Schwieren. She holds a M.Sc. in Economic Behaviour and Governance and a B.A. in Economics from the University of Kassel. Her fields of interest are behavioral economics, especially with a focus on environmental economics, such as bargaining dynamics within climate negotiations.



**Editorial deadline for issue 14/2017 of the newsletter:  
Wednesday, 7.6.2017, 12 p.m.  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

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please contact the address above.