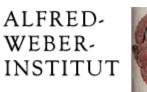
# Newsletter 01/2020





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## **Upcoming Seminars**

Tuesday, 7.1.2020	Special Seminar
13.45-14.45 AWI 01.030	Pablo Guillen Alvarez, University of Sydney (invited by Christiane Schwieren) "Strategy-proofness in experimental matching markets?"
Wednesday, 8.1.2020	Internal Seminar
12.15-13.15 AWI 00.010	Tillmann Eymess "The Effect of Norm-Based Interventions on Decisions Made by Groups?"
Wednesday, 8.1.2020	Macro & Econometrics Seminar
13.30-14.30 AWI 01.030	Alexandre Kohlhas, IIES, Stockholm University, Sweden "(Mis-)Behavior"*

#### **Special Seminar**

Pablo Guillen Alvarez

"Strategy-proofness in experimental matching markets"

We introduce two novel matching mechanisms, Reverse Top Trading Cycles (RTTC) and Reverse Deferred Acceptance (RDA), with the purpose of challenging the idea that the theoretical property of strategy-proofness induces high rates of truth-telling in economic experiments. RTTC and RDA are identical to the celebrated Top Trading Cycles (TTC) and Deferred Acceptance (DA) mechanisms, respectively, in all their theoretical properties except that their dominant-strategy equilibrium is to report one's preferences in the order opposite to the way they were induced. With the focal truthtelling strategy being out of equilibrium, we are able to perform a clear measurement of how much of the truth-telling reported for strategy-proof mechanisms is compatible with rational behavior and how much of it is caused by confused decision-makers following a default (very focal) strategy without understanding the structure of the game. In a school-allocation setting, we find that roughly half of the observed truth-telling under TTC and DA is the result of na?ve (non-strategic) behavior. Only 13-29% of participants' actions in RTTC and RDA are compatible with rational behavior. Further than that, by looking at the responses of those seemingly rational participants in control tasks, it becomes clear that even them lack a basic understanding of the game incentives. We argue that the use of a default option, confusion and other behavioral biases account for the vast majority of truthful play in both TTC and DA in laboratory experiments.

#### **Internal Seminar**

#### Tillmann Eymess

"The Effect of Norm-Based Interventions on Decisions Made by Groups"\*

We present an experimental design that tests whether a norm-based intervention is successful in promoting cooperation when decisions are made by groups. Contribution decisions in a prisoner's dilemma with belief elicitation and social enforcement are either made by individuals playing against other individuals or jointly by groups playing against other groups. Additionally, it is varied whether decision makers are exposed to a norm-based intervention. Social information about the cooperative behavior of other decision makers in a previous, identical situation is provided in order to promote cooperative play. The treatment variation therefore allows a test on the relative effectiveness of norm-based interventions when decisions are made by individuals or groups. Dependent on the results, we explore the role of expectations. Can a social information message induce a change in expectations that in turn prevents more competitive play between groups?

\*with Florian Diekert

#### Macro & Econometrics Seminar

Alexandre N. Kohlhas

"(Mis-)Behavior"\*

We document two stylized facts in expectational survey data. First, professional forecasters' macroeconomic expectations overreact to new information on average. Second, these overreactions mask evidence of both over- and underreactions to particular public signals. We show how these stylized facts are inconsistent with noisy rational expectations, as well as common behavioral and strategic models of forecaster behavior. In place, we propose a simple model of overconfidence, consistent with the evidence. Unlike rational forecasters, overconfident forecasters overestimate the precision of their private information (absolute overconfidence) and believe it to be superior to that of others (relative overconfidence). We show that the combination of these two well-documented biases causes forecasters to overreact to private signals, but to either over- or underreact to endogenous public signals that aggregate others' private information.

\* with Tobias Broer

## **Talks and Research Visits**

**Malte Faber** gave a lecture on MINE- Mapping the Interplay between Nature and Economy at a lecture series (Ringvorlesung) at the Free University of Berlin on December 9th, 2019.

### **Miscellaneous**

Am 30.11.2019 ist im <u>Wirtschaftsteil</u> der Frankfurter Allgemeinen Zeitung ein Interview von Malte Faber und Reiner Manstetten unter der Überschrift "Freiheit unentbehrlich für Nachhaltigkeit" erschienen. Die Langfassung wurde im FAZ-net veröffentlicht.

Editorial deadline for issue 02/2020 of the newsletter: Wednesday, January 8, 2020, 12 p.m. newsletter@awi.uni-heidelberg.de