



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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Internal Seminar

TIME:

Wednesday, July 1, 12.15 - 13.15

PLACE:

Virtual seminar room

Alice Solda

"Confidence, Demand for Information and Belief Updating"

A strong body of evidence now shows that individuals typically deviate from Bayes' rule when revising their beliefs upon receiving informative signals about their environment. While conservatism appears widespread, individuals also sometimes jump to conclusions. Yet, little is known about why individuals underreact in some contexts and overreact in others. In this paper, I examine self-confidence as a potential driver of individuals' sensitivity to information by investigating its causal effect on (i) the demand for instrumental information and (ii) belief updating behaviour. To do so, I designed a lab experiment in which participants undertake an effort task and can win a prize by guessing correctly whether their performance is above the median of a reference group. I generate an exogenous variation in beliefs by manipulating the difficulty of the effort task. After stating their confidence about their guess, participants can purchase information about their performance and revise their guess. I replicate the findings from the literature that WTP for information is negatively correlated with confidence, but I do not find evidence of a causal effect of an exogenous variation in confidence on WTP. In addition, I find that participants overweight information on average, which suggests that widespread conservatism may be specific to context in which information is costless and/or unavoidable.

New Publications

Peter Duersch, Marco Lambrecht and Jörg Oechssler: "Measuring Skill and Chance in Games", in *European Economic Review*, forthcoming.

Bell, Clive. 2020. *Tales of Peasants, Traders, and Officials: Contracting in Rural Andhra Pradesh, 1980-82*. International Development in Focus; Washington, DC: World Bank ©World Bank <https://openknowledge.worldbank.org/handle/10986/33903>
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New Working Papers

Sven Kunze: "[Unraveling the Effects of Tropical Cyclones on Economic Sectors Worldwide: Direct and Indirect Impacts](#)", AWI Discussion Paper Series, No 685, May 2020.

Florian Diekert, Tillmann Eymess, Joseph Luomba, and Israel Waichman: "[The Creation of Social Norms under Weak Institutions](#)", AWI Discussion Paper Series, No 684, May 2020.

Miscellaneous

Zeno Enders has been admitted to the [standing field committee on macroeconomics](#) of the [German Economic Association](#) following his presentation of 'Firm expectations and economic activity' (joint work with Franziska Hünnekes and Gernot Müller) at a virtual conference of this committee. He is now member of three committees.

Van den Broek, K.L., Luomba, J. & Fischer, H.. (2020). *M-Tool: mental model mapping tool* [Mobile app]. <https://apps.apple.com/nl/app/m-tool/id1474085118>

A new app, called M-Tool, has been developed that allows users to capture people's perceptions of complex systems (or mental models) with mobile devices, and can be tailored to map perceptions of any system or phenomenon. For example, one can draw the processes that cause climate change, influence the fluctuation of (fish) stock, or the functioning of an economy. Respondents create visual diagrams of a particular system by organizing relevant factors and linking them. This is the first tool that can be used by all kinds of stakeholders, as it does not require the respondent to read or write. Thanks to the standardised set-up of the tool, you can directly compare the perceptions of groups of respondents. The app can now be downloaded for free in app stores, see www.m-tool.org for more information and the link to the appstores.

Editorial deadline for issue 09/2020 of the newsletter:
Wednesday, July 9, 2020, 12 p.m.
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