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AWI This Week

Monday, 24.11.14

Departmental Seminar

17.15-18.45

AWI 00.010

Stefan Penczynski, University of Mannheim

"The Winner's Curse:
Contingent Reasoning and Belief Formation"

Tuesday, 25.11.14

Economics & Politics Seminar

14.15-15.15

AWI 02.036

James Tremewan, University of Vienna

"Transparency in Lobbying: a laboratory experiment"

Wednesday, 26.11.14

Internal Seminar

12.15-13.15

AWI 00.010

Christopher Kops, University of Frankfurt

"Preferences under Ambiguity Without Event-Separability"

Departmental Seminar

Stefan Penczynski

"The Winner's Curse: Contingent Reasoning and Belief Formation"*

Our study compares experimental results from a very simple auction game with results from a transformed version of this auction game that does not require any conditioning on future events. This experimental design allows us to study the importance of this cognitive activity and the role of belief formation in a human subject setting. We observe significant differences in behavior across the two games, supporting the view that conditioning is one reason for the winner's curse. In both settings, when facing naïve computerized opponents, subjects' play changes strongly. Overall, the results suggest that both the difficulty of conditioning on future events as well as the need to form or evaluate own beliefs alter behavior significantly.

*with Christian Koch

Economics & Politics Seminar

James Tremewan

"Transparency in Lobbying: a laboratory experiment"

Increasing transparency with regard to lobbying activities is a major public concern and is promoted both by civil society groups and organizations such as the OECD. We examine the effectiveness of transparency by building a simple model of strategic information transmission in which a privately informed Sender (e.g. think tank) has the option of accepting a payment in exchange for recommending a particular policy. Informing the Receiver (e.g. regulatory agency) of the Sender's decision of whether or not to accept the payment allows for the possibility of an equilibrium with perfect information transmission. We run a laboratory experiment to test whether this equilibrium arises in practice.

Internal Seminar

Christopher Kops

"Preferences under Ambiguity Without Event-Separability"*

We propose and axiomatically characterize a representation of ambiguity sensitive preferences. The distinguishing feature of our axiomatization is that we do not require preferences to be event-wise separable over any domain of acts. Even without any such separability restrictions, we are able to uniquely elicit the decision maker's subjective probabilities. The novel axiom that allows us to do so expresses the idea that at least in the domain of a certain class of acts the decision maker exhibits a consistent tradeoff between risk and ambiguity concerns. Under our representation of her preferences, any act is assessed by its subjective expected utility and a residual that captures her assessment of the act's exposure to ambiguity.

* with Abhinash Bora

Talks and Research Visits

Vera Eichenauer presented "Geopolitics, Aid and Growth" (joint paper with Axel Dreher and Kai Gehring) at the Workshop *Inclusive Institutions and Economic Development*, Hertie School in Berlin, November 10.

New Publications

Conrad, C. and Karanasos, M. (2014): *On the transmission of memory in GARCH-in-mean models*, Journal of Time Series Analysis, forthcoming.

New Working Papers

Jonas Hedlund: *Bayesian signaling*, University of Heidelberg, Department of Economics, Discussion Paper Series No. 577, November 2014.

**Editorial deadline for issue 28/2014 of the newsletter:
Wednesday, November 26, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.