



## Upcoming Seminars

### **Wednesday, 18.4.2018**    **Departmental Seminar**

12.15-13.15

Jason Shachat, U Durham Business School

AWI 00.010

(invited by Stefan Trautmann)

"Behind the Veil of Ignorance: Risk Aversion or Inequality Aversion?"

## Abstracts

### **Departmental Seminar**

Jason Shachat

"Behind the Veil of Ignorance: Risk Aversion or Inequality Aversion?"

The trade-off between aggregate wealth and individual wealth inequality is a societal conundrum. At the individual level, a common framework to assess this trade-off is by the ranking of alternative societal wealth distributions in which one does not know their own position in the distribution but rather that she will equally likely assume any position in the distribution. When she chooses a distribution from a set of possible distributions, her pure preference with respect to the aggregate wealth-inequity trade-off is confounded by her aversion to risk her selection generates over the marginal distribution of her own wealth. We introduce a new experimental procedure to control for this risk aversion. Individuals are presented a series of paired choice tasks: one is the consumer problem of choosing a portfolio of Arrow-Debreu contingent claim assets over two equally likely states, one good and one bad, and the other is choosing the wealth profile of a two-person economy in which they are equally likely to be the rich or poor individual. "Income" and "prices" are the same within a paired set of tasks, thus the sets of marginal distribution over one's own wealth is the same for both tasks. We find roughly equal numbers of experiment participants allocate more to the poor state than the bad state (revealing inequity aversion), equal allocations in the two tasks (revealing social indifference), and allocating less to the poor state than the good state (revealing inefficiency aversion). Revealed preference analysis indicates that most participants choices are consistent with the maximization of non homothetic quasi-concave utility functions for each setting. Further revealed preference analysis reveals clusters of individuals whose indifference curves are more/less convex in the risk setting versus the distribution one.

## Talks and Research Visits

**Lennart Kaplan** presented the paper "Aid and Conflict at the Local Level – The Role of Traditional and Emerging Donors" (joint work with Kai Gehring and Melvin Wong) at the Conference of the Centre for the Study of African Economies (CSAE), in Oxford, UK, on March 19, and at the 2018 Meeting of the European Public Choice Society (EPCS), in Rome, Italy, on April 12.

**Jürgen Eichberger** presented the paper "Strategic Ambiguity in the Centipede Game" (co-authored with Simon Grant and David Kelsey) at the Virginia Tech Workshop on Advances in Decision Theory, Blacksburg, Virginia, USA, April 6.

**Jörg Oechssler** gave a seminar talk "Measuring Skill and Chance in Games" (co-authored with Peter Duersch and Marco Lambrecht) at the City University London, March 28.

**Sven Kunze** presented his paper "Unraveling the Effects of Tropical Cyclones on Economic Sectors Worldwide", at the CSAE Conference 2018 at the University of Oxford, and at the 8th Annual Interdisciplinary Ph.D. Workshop in Sustainable Development at Columbia University, New York.

**Andreas Fuchs** presented the paper "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset" (joint work with Axel Dreher, Bradley Parks, Austin M. Strange and Michael J. Tierney) at the CSAE Conference 2018: Economic Development in Africa, University of Oxford, UK, March 18-20.

**Zeno Enders** presented the paper "Heterogeneous Consumers, Segmented Asset Markets, and the Real Effects of Monetary Policy" at the annual meeting of the Ausschuss für Geldtheorie und Geldpolitik, Frankfurt/Main, February 8 and 9.

**Andreas Fuchs** presented the paper "The Effects of Foreign Aid on Refugee Flows" (joint work with Axel Dreher and Sarah Langlotz) at the RITM Economics Seminar, Université Paris Sud, France, February 5.

## Visitors

Professor **Jason Shachat** (U Durham Business School) will be visiting the AWI from Monday 16<sup>th</sup> to Friday 20<sup>th</sup> of April (hosted by Stefan Trautmann). Jason is a behavioral economist working on game theory, auctions, and experimental asset markets. Jason will present some new work on fairness and risk in the Wednesday seminar, and will be available for meetings all week. Please contact him at [jason.shachat@durham.ac.uk](mailto:jason.shachat@durham.ac.uk), or walk by his guest office (01.012a).

## **New Publications**

König-Kersting, C. and S. T. Trautmann (2018). Countercyclical Risk Aversion: Beyond Financial Professionals. *Journal of Behavioral and Experimental Finance*, forthcoming.

Merkel, Anna Louisa and Lohse, Johannes (2018): "Is fairness intuitive? An experiment accounting for subjective utility differences under time pressure", *Experimental Economics*, forthcoming.

Andreas Reischmann and Jörg Oechssler: "The Binary Conditional Contribution Mechanism for Public Good Provision in Dynamic Settings - Theory and Experimental Evidence", *Journal of Public Economics*, 159 (2018), 104-115.

Jose Apesteguia, Steffen Huck, Jörg Oechssler, Elke Weidenholzer, and Simon Weidenholzer: "Imitation of Peers in Children and Adults", *Games*, 9(1), 11, (2018).

## **New Working Papers**

Vera Z. Eichenauer, Andreas Fuchs and Lutz Brueckner: "The Effects of Trade, Aid, and Investment on China's Image in Developing Countries", AWI Discussion Paper Series, No 646, March 2018.

Malte Faber und Thomas Petersen: "Kapitalismus versus Marktwirtschaft. Karl Marx und Fernand Braudel", AWI Discussion Paper Series, No 645, February 2018.

Tobias Pfrommer: "A Model of Solar Radiation Management Liability", AWI Discussion Paper Series, No 644, January 2018.

## **Miscellaneous**

Malte Faber will give a joint block seminar "Foundations of Ecological Economics" with Andreas Löschel, chair for microeconomics, in particular, energy and resources, at the Westfälische Wilhelms Universität in Münster in Summer semester 2018.

Christoph Becker has been awarded a scholarship by the Friedrich-Ebert-Foundation. Starting April 1, 2018, the foundation will support Christoph's doctoral research into the role of information collection in financial decision-making under uncertainty.

## New and leaving staff

**Matthias Quinckhardt** joined the Chair of Labor Economics and Political Economy under the supervision of Christina Gathmann in November 2017. He obtained a MSc in Economics from the University of Heidelberg and a BSc in Economics from the University of Tübingen. During his studies he was an intern at the Research Centre of the Deutsche Bundesbank and studied abroad at the University of Hong Kong and Cornell University. His research interests are in the fields of Political Economy and Applied Microeconomics.



**Andreas Fuchs** will leave the AWI at the end of April and will be joining the Helmut Schmidt University Hamburg (HSU/UniBw) and the Kiel Institute for the World Economy as a Professor of Environmental, Climate and Development Economics.

**Editorial deadline for issue 07/2018 of the newsletter:  
Wednesday, April 18, 2018, 12 p.m.  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

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