



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Wednesday, 20. 04. 11 Departmental Workshop

17.15-18.45

Peter Duersch

AWI 00.010

"Benevolent and Malevolent Ellsberg Urns"

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Workshop

Peter Dürsch

"Benevolent and Malevolent Ellsberg Urns" *

The cautious attitude of an ambiguity averse decision maker is often viewed as the reaction to a malevolent nature. That is, nature can influence occurrence of events to the decision maker's disadvantage, for instance, by choosing a probability distribution with the objective of minimizing her expected utility. The decision maker reacts by choosing alternatives which are independent of the choice of probability distributions. We conduct an experiment investigating the impact of a malevolent versus a benevolent outside influence on ambiguity aversion in an Ellsberg experiment. In each of our two treatments, one group of the subjects plays the standard three-color Ellsberg experiment. To each of them one subject from the second group is anonymously matched. The task of subjects in the second group is to determine the composition of an Ellsberg urn. Specifically, these subjects determine the (unknown) proportion of the second and third color in the urn. The urns filled by the second group are used to resolve the decisions made by the first group. In our benevolent treatment, the incentives of both groups are aligned: The payoff to each second group subject is equal to the payoff of his matched first group decision maker. In the malevolent treatment, this is reversed. Now, the payoff of the matched decision maker is deducted from a lump sum payoff of the subject who fills the urn. If decision makers are influenced by their negative perception of the way the urn is filled, they should be more ambiguity averse in the malevolent treatment.

*with Adam Dominiak

Talks and Research Visits

Andreas Roider presented his paper "Optimal Incentive Contracts under Moral Hazard When the Agent is Free to Leave" (joint with Florian Englmaier and Gerd Mühlheusser) at the 2011 International Industrial Organization Conference (IIOC), Boston, April 8-10.

Christiane Schwieren held a lecture on "Aging and decision making: How aging affects decisions under uncertainty" at the IMEBE-Conference, Barcelona, April 7, and **Julia Müller** presented "Personality and the Prediction of Small-scale Economic Behavior - the Example of the Trust Game" (joint with Christiane Schwieren).

Andreas Roider participated in the CEPR conference "The Role of Experiments for the Advancement of Effective Labor Legislation" in Lucca, Italy, March 25-26.

Switgard Feuerstein presented her Paper "Taxes Inducing International Price Discrimination: An Optimal Tariff Approach" at the 13th Workshop for International Economic Relations in Göttingen, March 17, and **Andreas Lindenblatt** presented the paper "Price convergence in Europe? Evidence from European Retail Food Prices."

Miscellaneous

Travis Warziniack accepted a position at the Rocky Mountain Research Station in Fort Collins, Colorado with the US Forest Service. He begins to work there in June and will be in Heidelberg through the middle of May. Travis also wants to announce the birth of his daughter, Lucia Abigail Warziniack, born April 2 at the University Frauenklinik in Heidelberg.

**Editorial deadline for issue 07/2011 of the newsletter:
Wednesday, April 20, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above