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AWI This Week

Monday, 20. 06. 11

Departmental Seminar

17.15-18.45

Lorens Imhof, University of Bonn

AWI 00.010

"Monotone imitation dynamics in large populations"

Wednesday, 22. 06. 11

Departmental Workshop

17.15-18.45

Andrea Leuermann and Benjamin Roth,
University of Heidelberg

AWI 00.010

"Does good advice come cheap? - On the assessment of
risk preferences of others"

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 Seminar

Lorens Imhof

"Monotone imitation dynamics in large populations" *

We analyze a class of imitation dynamics with mutations for games with any finite number of actions, and give conditions for the selection of a unique equilibrium as the mutation rate becomes small and the population becomes large. Our results cover the multiple-action extensions of the aspiration-and-imitation process of Binmore and Samuelson [Muddling through: noisy equilibrium selection, J. Econ. Theory 74 (1997) 235-265] and the related processes proposed by Benaim and Weibull [Deterministic approximation of stochastic evolution in games, Econometrica 71 (2003) 873-903] and Traulsen et al. [Coevolutionary dynamics: from finite to infinite populations, Phys. Rev. Lett. 95 (2005) 238701], as well as the frequency-dependent Moran process studied by Fudenberg et al. [Evolutionary game dynamics in finite populations with strong selection and weak mutation, Theoretical Population Biol. 70 (2006) 352-363]. We illustrate our results by considering the effect of the number of periods of repetition on the selected equilibrium in repeated play of the prisoner's dilemma when players are restricted to a small set of simple strategies.

*with Drew Fudenberg.

Departmental Workshop

Andrea Leuermann and Benjamin Roth

"Does good advice come cheap? - On the assessment of risk preferences of others"

Risk preferences are an integral part of everyday decisions and influence people's choices. People increasingly ask for advice as decisions become more complex or are beyond their knowledge, in particular in financial or health domains. Consequently, the correct assessment of the advisee's risk preferences by the advisor is crucial for a precise advice. However, not much is known about the ability of advisors to judge the risk preferences of others to date. The aim of our study is to investigate whether individuals are capable of assessing others' preferences, in particular risk preferences. On the basis of sociodemographic and visual assistance, subjects are asked to determine the lottery choices of the presented individuals. Furthermore, we study which characteristics of these individuals are most important and whether the quality of assessment increases in the amount of information presented. Our results show that knowledge about sociodemographics is substantial and that this knowledge is transformed into the assessment of risk preferences of advisees. Furthermore, we find that subjects on average value themselves as more risk loving than the person evaluated. Interestingly, sociodemographic similarities are vital insofar as subjects evaluate people with similar characteristics more closely to their own self-assessment. Subjects in the role of advisors take their own decision as a reference point for predicting others' risk preferences. On average, the assessment on the basis of sociodemographics of the advisee is more precise than based on a picture.

Talks and Research Visits

Christian Conrad has presented his paper "Modeling the link between US inflation and output: the importance of the uncertainty channel" (jointly with Menelaos Karanasos) at the 2011 Meeting of the Swiss Society of Economics and Statistics, Lucerne, June 10.

Jan Schnellenbach has presented the paper "The Political Economy of Libertarian Paternalism" at the 2011 Meeting of the Swiss Society of Economics and Statistics, Lucerne, June 10.

Andreas Roider has presented his paper "Optimal Incentive Contracts under Moral Hazard When the Agent is Free to Leave" (with Florian Englmaier and Gerd Muehlheusser) at the *2011 North American Summer Meeting of the Econometric Society*, St. Louis, June 9-12.

**Editorial deadline for issue 16/2011 of the newsletter:
Wednesday, June 22, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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