

BEHAVIOURAL AND EXPERIMENTAL ECONOMICS AND FINANCE: WORKSHOP PROGRAM (updated 24/7/18)

Plenary sessions take place in New Law Lecture Theatre 024. Parallel sessions take place in New Law Lecture Theatres 024 and 026.

Thursday 26 July

08:30 – 08:50 Registration

08:50 – 09:00 Welcome and workshop opening

09:00 – 10:15 Plenary session (chair: Pablo Guillen)

Catherine Eckel, “Gender differences: What have we learned from 25 Years of experimental research?”

10:15 – 10:45 Morning tea

10:45 – 12:45 Parallel sessions

Room 024:

Nathan Kettlewell, “Civil war, natural disaster and risk preferences: Evidence from Sri Lankan twins”

Asad Islam, “Myopic loss aversion and reference point: Results from an experiment with financial traders”

Juliana Silva Goncalves, “Long-lasting effects of relative age at school”

Stefanie Schurer (chair), “Do economic preferences predict obesity severity? Evidence from a randomised controlled trial with medically at-risk patients”

Room 026:

Vera te Velde, “Pay that pays: The effectiveness of workplace incentives depends on the social context”

Le (Lyla) Zhang, “Job assignment and fairness concerns”

Jonas Fookan, “Trusting when risk and ambiguity create opportunities for exploitation”

Lana Friesen (chair), “Social dilemmas with agency risk”

12:45 – 13:45 Lunch

13:45 – 15:00 Plenary session (chair: Lionel Page)

Mohammed Abdellaoui, “Take your time or take your chance: Time discounting as a distorted probability”

15:00 – 15:30 Afternoon tea

15:30 – 17:30 Parallel sessions

Room 024:

Antonio Rosato, “Projection of private values in auctions”

Anmol Ratan, “Inequality in extreme demand and supply double auction markets”

Jingjing Zhang, “The role of communication in managing multi-level conflicts”

Nick Feltovich (chair), “Cheap talk with two senders”

Room 026:

Stephen Cheung, “Eliciting utility curvature and time preference”

Xueting Wang, “What do laboratory measures of self-control in the monetary domain tell us about self-control for healthy and unhealthy food rewards?”

Jubo Yan, “Risk aversion: The need for behavioral explanation(s)”

Agnieszka Tymula (chair), “An experimental comparison of risky and riskless choice – Limitations of prospect theory and expected utility theory”

18:30 – Workshop dinner at The Black Groodle, 55 Mountain Street Ultimo

Friday 27 July

09:00 – 11:00 Parallel sessions

Room 024:

Zhengyang (Leo) Bao, “Regulating bubbles away? Experimental evidence on price limits and trading restrictions in asset markets”

Aleksei Chernulich, “Price volatility and forecasting horizons: An experimental investigation”

Felix Fattinger, “Trading complex risks”

Lionel Page (chair), “How much information is incorporated in financial asset prices? Experimental evidence”

Room 026:

Pablo Guillen, “Default options in matching experiments”

Sebastien Massoni, “Aiming to choose correctly or to choose wisely? The optimality-accuracy trade-off in decisions under uncertainty”

Elif Incekara Hafalir, “Incentive to persevere”

Romain Gauriot (chair), “Fooled by performance randomness: Over-rewarding luck”

11:00 – 11:30 Morning tea

11:30 – 12:45 Plenary session (chair: Agnieszka Tymula)
Peter Bossaerts, “How individuals and markets learn in the face of computational complexity”

12:45 – 13:45 Lunch

13:45 – 15:45 Parallel sessions

Room 024:

David Butler, “Phishing holidays: The market for timeshares”

Uwe Dulleck, “Outcome based regulation of financial services –
Approaches based on behavioural economics”

Andreas Leibbrandt, “Risk-taking on the emotional roller coaster:
Evidence from a field experiment during the soccer World Cup”

Franziska Tausch (chair), “The customer as donor: An online
experiment on Sydney Opera House sales and donations”

15:45 – 16:15 Afternoon tea

16:15 – 17:30 Plenary session (chair: Stephen Cheung)
Keith Ericson, “Open questions in intertemporal choice”

Room 026:

Elise Payzan-LeNestour, “Outlier blindness: Efficient coding
generates an inability to represent extreme values”

Stephen Cheung, “True overconfidence, revealed through actions:
An experiment”

Alice Solda, “Overconfidence as a bargaining strategy”

Guy Mayraz (chair), “Observable preference between act and rule
rationality”

BEEF Workshop Delegate List

| Name | Organisation | Email |
|-------------------------|---|---------------------------------------|
| Mohammed ABDELLAOUI | HEC Paris | abdellaoui@greg-hec.com |
| Farida AKHTAR | Macquarie University | farida.akhtar@mq.edu.au |
| Shumi AKHTAR | University of Sydney | shumi.akhtar@sydney.edu.au |
| Zhengyang (Leo) BAO | Monash University | zhengyang.bao@monash.edu |
| Peter BOSSAERTS | University of Melbourne | peter.bossaerts@unimelb.edu.au |
| David BUTLER | Griffith University | david.butler@griffith.edu.au |
| Aleksei CHERNULICH | University of Technology Sydney | aleksei.chernulich@uts.edu.au |
| Stephen CHEUNG | University of Sydney | Stephen.Cheung@sydney.edu.au |
| Demetris CHRISTODOULOU | University of Sydney | demetris.christodoulou@sydney.edu.au |
| Nicolas DE ROOS | University of Sydney | nicolas.deroos@sydney.edu.au |
| Uwe DULLECK | Queensland University of Technology | uwe.dulleck@qut.edu.au |
| Catherine ECKEL | Texas A&M University | ceckel@tamu.edu |
| Keith ERICSON | Boston University | kericson@bu.edu |
| Felix FATTINGER | University of Melbourne | felix.fattinger@unimelb.edu.au |
| Nick FELTOVICH | Monash University | nicholas.feltovich@monash.edu |
| Filip FIDANOSKI | University of New South Wales | filipfidanoski@gmail.com |
| Jonas FOOKEN | University of Queensland | j.fooken@uq.edu.au |
| Alastair FRASER | University of Sydney | alastair.fraser@sydney.edu.au |
| Lana FRIESEN | University of Queensland | l.friesen@uq.edu.au |
| Thomas GARCIA | Queensland University of Technology | thomas.garcia@hdr.qut.edu.au |
| Romain GAURIOT | University of Sydney | romain.gauriot@gmail.com |
| Christian GILLITZER | University of Sydney | christian.gillitzer@sydney.edu.au |
| Leonel GIOVANNINI | University of Sydney | lgio4137@uni.sydney.edu.au |
| David GOLDBAUM | University of Technology Sydney | david.goldbaum@uts.edu.au |
| Pablo GUILLEN | University of Sydney | pablo.guillen@sydney.edu.au |
| Julie GUO | University of Sydney | jguo7451@uni.sydney.edu.au |
| Shawn HO | University of Sydney | shawn.ho@sydney.edu.au |
| Elif INCEKARA HAFALIR | University of Technology Sydney | elif.incekarahafalir@uts.edu.au |
| Asad ISLAM | Monash University | asadul.islam@monash.edu |
| Nathan KETTLEWELL | University of Sydney | nathan.kettlewell@sydney.edu.au |
| Bettina KLAUS | University of Lausanne | Bettina.Klaus@unil.ch |
| Andreas LEIBBRANDT | Monash University | andreas.leibbrandt@monash.edu |
| Jonathan LIVERMORE | University of Technology Sydney | jonathan.livermore@student.uts.edu.au |
| Le (Hayley) MA | University of Technology Sydney | le.ma@uts.edu.au |
| Jana MARECKOVA | University of Konstanz | janina.mareckova@gmail.com |
| Sebastien MASSONI | Queensland University of Technology | sebastien.massoni@gmail.com |
| Guy MAYRAZ | University of Melbourne | g.mayraz@gmail.com |
| Vy NGUYEN | Monash University | vy.tt.nguyen@monash.edu |
| Lionel PAGE | Queensland University of Technology | lionel.page@qut.edu.au |
| Elise PAYZAN-LENESTOUR | University of New South Wales | elise@unsw.edu.au |
| Zihang PENG | University of New South Wales | zihang.peng@unsw.edu.au |
| Anmol RATAN | Monash University | anmolratan@gmail.com |
| Antonio ROSATO | Cambridge Judge Business School and UTS | rosatoecon@gmail.com |
| Doron SAMUEL | University of Sydney | doron.samuell@sydney.edu.au |
| Stefanie SCHURER | University of Sydney | stefanie.schurer@sydney.edu.au |
| Juliana SILVA GONCALVES | Queensland University of Technology | juliana.silvagnalves@gmail.com |
| Alice SOLDA | Queensland University of Technology | alice.solda@qut.edu.au |
| Franziska TAUSCH | University of Sydney | franziska.tausch@sydney.edu.au |
| Becca TAYLOR | University of Sydney | r.taylor@sydney.edu.au |
| Vera TE VELDE | University of Queensland | vtevelde@gmail.com |
| Adam TEPERSKI | University of Sydney | atep4839@uni.sydney.edu.au |
| Annie TRUONG | Victorian Department of Premier and Cabinet | truong.annie@gmail.com |
| Agnieszka TYMULA | University of Sydney | Agnieszka.Tymula@sydney.edu.au |
| Xueting WANG | University of Sydney | xwan8838@uni.sydney.edu.au |
| Jubo YAN | Nanyang Technological University | yanjubo@ntu.edu.sg |
| Ye YE | University of Sydney | yeye3702@uni.sydney.edu.au |
| Jingjing ZHANG | University of Technology Sydney | jingjing.zhang@uts.edu.au |
| Le (Lyla) ZHANG | Macquarie University | Lyla.Zhang@mgsu.edu.au |

Session: Thursday 10:45 to 12:45, Room 024
Name: Nathan Kettlewell
Affiliation: University of Sydney
Email: nathan.kettlewell@sydney.edu.au
Title: Civil war, natural disaster and risk preferences: Evidence from Sri Lankan twins
Co-authors: Deborah Cobb-Clark, Nicholas Glozier, Agnieszka Tymula
URL:

Understanding the stability of economic preferences, such as risk tolerance, across time and context is important for predicting how economic behaviour will respond to different life events. For events that have a large collective impact on the population, such as natural disasters and civil war, changes in economic preferences could have significant flow on effects to the macroeconomy. This could in turn potentially change the economic and social trajectory of the affected region.

In this paper we focus on the effect of two significant events on risk preferences in Sri Lanka – the 2004 Indian Ocean Tsunami and the civil war fought between the Liberation Tigers of Tamil Eelam (the Tamil Tigers) and the Sri Lankan Government between 1983-2009. Both events had widespread devastating effects, characterised by significant loss of life, property damage and displacement.

In contrast to other studies concerning natural disaster, war and risk preferences, we have access to a large dataset of twins. This allows us to exploit variation within twin pairs in the exposure to these events in order to obtain more plausibly causal estimates than most previous studies. Our data also contain an unusually rich set of information on mental health, allowing us to explore this as a potential mechanism for changes in risk preferences.

Preliminary work suggests that both exposure to the tsunami and participation in the civil war leads to lower risk aversion, as measured by willingness to pay to enter a hypothetical lottery. This result is robust across a variety of specification checks. We do not find evidence that either the tsunami or war had any effect on mental health for our sample, which suggests this is not the mechanism for our findings.

Session: Thursday 10:45 to 12:45, Room 024
Name: Asad Islam
Affiliation: Monash University
Email: asadul.islam@monash.edu
Title: Myopic loss aversion and reference point: Results from an experiment with financial traders
Co-authors: Vy Nguyen
URL: <https://bit.ly/2lyJh1Q>

We conduct an experiment to investigate the Myopic Loss Aversion (MLA)- the improper treatment of risky investment across different time dimensions - among professional traders in emerging financial market. We collect a unique datasets on daily transactions and socioeconomic and demographic characteristics of more than 350 traders in Bangladesh financial market. We combine the experiment results with individual daily transaction and portfolio data to study the link between these traders' investment decision in experiment and under their natural domain. Overall, we found evidence to support the predictions that traders exhibit a high degree of MLA, risk aversion, and ambiguity avoidance. Furthermore, we found that the degree of myopia can be curtailed by positive reference points but the negative ones do not exacerbate this irrational behavior.

Session: Thursday 10:45 to 12:45, Room 024
Name: Juliana Silva Goncalves
Affiliation: Queensland University of Technology
Email: juliana.silvagncalves@gmail.com
Title: Long-lasting effects of relative age at school
Co-authors: Lionel Page, Dipa Sarkar
URL:

We investigate the long term consequences of having been relatively old at school on behavioural traits. We conduct an online experimental survey with a sample of 1007 participants aged 24 to 60 years old, who were born at most two months either before or after the school entry cut-off date in four Australian states. We find that participants who were among the oldest in the classroom in their youth display a higher level of self-confidence in the adult age compared to those who were among the youngest. They are also more willing to enter in some form of competition, declare taking more risk in a range of domains in their life and being more trusting of other people. These results offer important insights on the possible behavioural mechanisms underlying the differences in career outcomes between people who were relatively young and old at school. They are also relevant for the prospective design of policies to mitigate inequalities created by school entry cut-off dates.

Session: Thursday 10:45 to 12:45, Room 024

Name: Stefanie Schurer

Affiliation: University of Sydney

Email: stefanie.schurer@sydney.edu.au

Title: Do economic preferences predict obesity severity? Evidence from a randomised controlled trial with medically at-risk patients

Co-authors: Chiara Pastore, Agnieszka Tymula

URL:

Can excessive weight gain be attributed to the way individuals make economic decisions? We study the role of risk tolerance and impatience in predicting the severity of obesity in a clinically relevant population. We use data from an economic choice experiment conducted on 300 heavy and pre-diabetic adults who participated in a hospital-run 12-month weight-loss and -management randomised controlled trial. Risk and time preference measures are collected through financially incentivised economic choice scenarios, the obesity severity measures are derived from high-precision clinical examinations (BMI, body fat, waist circumference), and important background variables on age, socioeconomic status, and personality are collected through a survey. To construct proxies of risk tolerance and impatience, we use both simple counts of risky and sooner choices, respectively, and joint estimation estimates that allow us to adjust for the concavity of the utility function. Controlling for relevant background variables, we find that risk tolerance is negatively associated with the severity of obesity when measured with BMI ($p < 0.05$) and waist circumference ($p < 0.01$) for females, and weakly positively for males (significant only for waist circumference, p -value < 0.10). Moreover, no significant relationship emerges between adiposity, the most precise and clinically relevant measure of obesity, and risk tolerance. Furthermore, there is neither evidence of an association between impatience and the severity of obesity, nor evidence for present bias. Finally, the estimation results are robust to restricting the analysis to participants with consistent preference. Participants with consistent preferences tend to be not only younger and better educated but also more risk averse and patient. Important sex differences emerge in the relationship between preference inconsistency and obesity severity, where females with inconsistent preferences tend to be heavier, while males tend to be lighter. Our findings deviate strongly from previous literature, which finds that more risk tolerant and impatient individuals tend to have higher BMI. There are at least two reasons why our results may differ. First, we have high-quality and precision measures of economic preferences and excessive weight. Previous studies are predominantly relying on self-assessed health outcomes and preference measures, or are based on non-incentivised economic choice experiments, allowing for the possibility of correlations due to unobserved and systematic measurement errors. Second, if the relationship between risk tolerance or impatience and weight is concave or even hump-shaped, with turning points at the thresholds to unhealthy weight. In this case, we cannot observe a positive relationship as in previous studies, because in our clinical sample of medically at-risk and heavy patients, the minimum BMI is greater than 25 (overweight), and the average BMI of 34 indicates obesity, significantly above the Australian national average (27.5). We discuss the implications of our findings for public policy and the design of medical interventions.

Session: Thursday 10:45 to 12:45, Room 026

Name: Vera te Velde

Affiliation: University of Queensland

Email: vtevelde@gmail.com

Title: Pay that pays: The effectiveness of workplace incentives depends on the social context

Co-authors: Rosario Macera

URL: <http://vtevelde.com/papers/WorkplaceSocialContext.pdf>

Whether non-contingent wages that are above the market wage can trigger effort absent reputation concerns is a pending question. Even though laboratory evidence strongly suggests that this is the case, field evidence is weak. Inspired by the gift-giving sociology literature, we hire workers to evaluate the performance of a call center workers to manipulate the employer-employee social relationship and the communication of the employer's expected employee response to a high wage. We show that an above-market wage is reciprocated with effort if and only if: 1) there exists a close employer-employee social relationship, and 2) the employer's expectation that the high wage is intended to boost effort is clearly communicated. This result highlights the importance of social relations as well as the implementation architecture for the success of non-contingent incentives.

Session: Thursday 10:45 to 12:45, Room 026
Name: Le (Lyla) Zhang
Affiliation: Macquarie University
Email: Lyla.Zhang@mgsu.edu.au
Title: Job assignment and fairness concerns
Co-authors: Katarína Danková, Hodaka Morita, Maroš Servátka
URL:

Job assignment is a significant source of wage differences across workers, but it is not clear how the process of job assignment affects workers' fairness perceptions of wages. We experimentally examine workers' fairness concerns using a novel three-person ultimatum game design in which all agents are asked to complete a general knowledge quiz before being assigned to a job position. Job positions differ in the stakes that are available to be split between the principal and the worker. In the experiment we vary whether the job assignment is determined by the principal or randomly. Based on the quiz performance and job assignment, the outcome can be perceived by workers as fair (better performance – high stake job) or unfair (better performance – low stake job). We find that workers exhibit fairness concerns toward their peers only in the case of unfair assignment (by the principal), but not in the cases of fair assignment or if the assignment is determined randomly. Our results indicate the importance of the job assignment process for fairness concerns inside an organization.

Session: Thursday 10:45 to 12:45, Room 026
Name: Jonas Fooken
Affiliation: University of Queensland
Email: j.fooken@uq.edu.au
Title: Trusting when risk and ambiguity create opportunities for exploitation
Co-authors:
URL:

Trust and risk preferences are widely studied, but little is known how they interact. This article studies this interaction using an experimental trust game with varying levels of exogenous riskiness, introducing both risk and ambiguity: Trustor payoffs do not only depend on trustee's trustworthiness, but their transfer is also lost with some probability and whether it is lost is only observed by the trustee. If the trustee returns zero, the trustor cannot differentiate between a lost transfer and a selfish trustee. Results show that self-serving decisions of trustees increase with uncertainty. The decrease is mainly driven by continually increasing selfishness and only to a small degree by taking advantage of exclusive information. Trustors reduce transfers with increasing uncertainty, mainly due to risk attitudes and less due to anticipation of decreasing trustworthiness.

Session: Thursday 10:45 to 12:45, Room 026
Name: Lana Friesen
Affiliation: University of Queensland
Email: l.friesen@uq.edu.au
Title: Social dilemmas with agency risk
Co-authors: Timothy N. Cason, Lata Gangadharan
URL:

Many social dilemmas involve decisions made by firms. This experimental study modifies the standard gift exchange environment employed to represent firms' principal-agent problem to include a social dilemma and stochastic agent performance. Agents' unobservable effort choices affect the likelihood of a bad outcome occurring, which harms both the agent's principal but also other principals in the same group. In our baseline treatment we omit the agency problem, and principals make their "firm's" effort decision. This provides a baseline measure of principals' preferences regarding the social dilemma. In the second treatment, principals can only offer an unconditional wage contract to their agent, although a non-contractual (ex-post) bonus can be paid. In our third treatment, wages can be conditioned on the stochastic outcome, and a non-contractual bonus is still feasible. We find that principals use conditional wage contracts to incentivize agents to make their desired effort choice, while unconditional contracts lead to significantly lower effort levels. In contrast to theoretical predictions however, principals use a combination of a conditional wage and the non-contractual (ex-post) bonus to solve the agency problem. Therefore, when conditional wage contracts are possible, agency risk does not exacerbate the social dilemma problem. On the other hand, fixed wage contracts, even with (non-contractual) bonuses, lead to worse outcomes.

Session: Thursday 15:30 to 17:30, Room 024
Name: Antonio Rosato
Affiliation: Cambridge Judge Business School and University of Technology Sydney
Email: rosatoecon@gmail.com
Title: Projection of private values in auctions
Co-authors: Tristan Gagnon-Bartsch, Marco Pagnozzi
URL:

This paper explores how taste projection---the tendency for people to overestimate how similar others preferences are to their own---affects bidding in auctions. We consider auctions for a good with both private and common value elements, and draw out the implications of taste projection in first- and second-price sealed-bid auctions and English auctions. When the good has only private value, projection leads players to misperceive the extent of competition. This induces overbidding, on average, in first-price auctions, but has no effect in second-price or English auctions. If the good also has some common-value component, players draw inference about others' signals from their equilibrium bids. No matter the auction format, projection leads to distorted inference which reduces efficiency: the probability the player with the highest value receives the good is decreasing in the extent of projection.

Session: Thursday 15:30 to 17:30, Room 024
Name: Anmol Ratan
Affiliation: Monash University
Email: anmolratan@gmail.com
Title: Inequality in extreme demand and supply double auction markets
Co-authors: Paul Brewer
URL:

We examine “extreme” demand-supply conditions to compare the distributional outcomes with respect to the predictions based on the competitive equilibrium. We fix the number of buyers and vary the number of sellers to create variations in “excess demand” and “excess supply” conditions such that the theoretical predictions for Gini coefficients vary across these markets. We study behavior across treatments such that traders in the benchmark treatment deploy the “zero-intelligence” trading strategy; and buyers deploy “sniping” in another treatment and sellers deploy “sniping” in the third treatment. The outcomes observed in the benchmark treatment are not supportive of the CE predictions regarding prices and levels of inequality. The level of inequality, based on the Gini coefficient, in the other treatments is lower than the CE predictions in either the short run or the long run.

Session: Thursday 15:30 to 17:30, Room 024
Name: Jingjing Zhang
Affiliation: University of Technology Sydney
Email: jingjing.zhang@uts.edu.au
Title: The role of communication in managing multi-level conflicts
Co-authors: Neil J. Buckley, Stuart Mestelman, R. Andrew Muller, Stephan Schott
URL:

In many social contexts where individual interests conflict with what is best for the group, communication could play an important role to coordinate actions and resolve conflicts. Little is known, however, about what types of communication protocols are optimal and how communication interacts with other institutional features designed to manage multi-level conflicts.

In this paper we study the impact of cheap talk communication on the effectiveness of the output-sharing mechanism where multi-level conflict arises as individuals are asked to share their output equally in groups of optimal size in order to overcome the “tragedy of the commons” problem. We introduce communication groups that may or may not be linked to the output sharing groups. Communication reduces shirking, increases aggregate effort and reduces aggregate rents, but only when communication groups and output-sharing groups are linked. The effect is stronger for fixed groups (partners treatment) than for randomly reassigned groups (strangers treatment). Performance is not distinguishable from the no-communication treatments when communication is permitted but subjects share output within groups different from the groups within which they communicate. Communication also tends to enhance the negative effect of the partnered group assignment on the equality of individual payoffs. We use detailed content analysis to evaluate the impact of communication messages on behavior across treatments.

Session: Thursday 15:30 to 17:30, Room 024
Name: Nick Feltovich
Affiliation: Monash University
Email: nicholas.feltovich@monash.edu
Title: Cheap talk with two senders
Co-authors: Nejat Anbarcı, Mehmet Y. Gurdal
URL: <http://users.monash.edu.au/~nfelt/papers/turing.pdf>

We investigate communication and decision making in a setting with two informed senders and an uninformed receiver. Each sender knows both senders' quality, and sends one or more cheap-talk messages to the receiver, who then chooses one of the senders. The receiver prefers to choose the higher-quality sender, while each sender simply prefers to be chosen. Our three treatments differ in the form messages can take. In our Byte treatment, a sender sends a single number, indicating her quality. In our Rich treatment, a sender sends a single free-form text message. In our Chat treatment, the receiver can chat with each sender individually, in two simultaneous two-way conversations. We find that senders lie frequently, but rarely maximally, in all treatments. Lower-quality senders often lie about their own quality and their rival's, while higher-quality senders are mostly truthful. In the Byte and Rich treatments, receivers fare no better than chance in picking the higher-quality sender, but they do substantially better than chance in the Chat treatment. This difference seems to be due to receivers being able to extract more truthful and more precise information in the Chat treatment compared to the other two treatments.

Session: Thursday 15:30 to 17:30, Room 026
Name: Stephen Cheung
Affiliation: University of Sydney
Email: Stephen.Cheung@sydney.edu.au
Title: Eliciting utility curvature and time preference
Co-authors:
URL: <https://ideas.repec.org/p/syd/wpaper/2015-01.html>

In both standard and behavioral theory, as well as experimental procedures to elicit time preference, it is commonly assumed that a single utility function is used to evaluate payoffs both under risk and over time. I introduce a novel experimental design to examine this assumption, by transposing the well-known Holt-Laury risk preference experiment from state-payoff space into time-dated payoff space. I find that the curvature of utility elicited directly from choices over time is significantly concave, but far closer to linear than utility elicited under risk. As a result, the effect of correcting discount rates for this curvature is modest.

Session: Thursday 15:30 to 17:30, Room 026

Name: Xueting Wang

Affiliation: University of Sydney

Email: xwan8838@uni.sydney.edu.au

Title: What do laboratory measures of self-control in the monetary domain tell us about self-control for healthy and unhealthy food rewards?

Co-authors: Stephen Cheung, Agnieszka Tymula

URL:

Ability to exercise self-control is predictive of favourable outcomes in many domains: people with higher self-control achieve higher levels of education, are healthier, have lower BMI, and are less likely to be in debt. To remain healthy, people must exercise self-control to forego the immediate pleasure of high-calorie foods for the prospect of future health. Self-control is not just choosing delayed rewards, but also persisting in this choice until the delayed reward arrives (Kable, 2014). We use a longitudinal design to measure teenagers' and young adults' self-control for three reward types: money, healthy food, and unhealthy food. Our focus is on adolescents and young adults, because eating habits, established early on in life, tend to stay with individuals later in their lives, contributing to the obesity epidemic (Sahoo et al., 2015).

Participants in our longitudinal experiment came to the university three times, always on the same weekday and at the same time of the day. The first two sessions were one week apart, and the third session was delayed by further two weeks. In week 1, subjects chose what quantity of reward to receive in week 2 and week 4 (both rewards delayed). In week 2, the same subjects chose from the same options except that their decisions were between an immediate reward ("Today") and a delayed one ("In two weeks"). We employed a modified version of the Convex Time Budget design (Andreoni and Sprenger, 2012) with 12 choice sets differing in the interest rate at which the sooner and later rewards were traded. Our design also allowed us to quantify participants' irrationality for each reward as the number and severity of Generalised Axiom of Revealed Preference violations.

We included three reward types: money, healthy and unhealthy foods. The healthy options were popcorn, almonds, or raisins; and the unhealthy options were Cheezels, M&Ms, or gummies. At the beginning of each session, each participant chose their preferred unhealthy and healthy food that served as the reward in the experiment. For each participant, we measured their BMI and hunger levels.

Participants made highly rational choices for each reward type. Across all rewards, as the interest rate increased, the percentage of rewards allocated to the sooner date decreased. We find differences in self-control estimates for different rewards. Our results provide evidence on the predictive power of self-control measures obtained with monetary rewards for food choices. We relate self-control measures of each reward type to BMI and hunger levels.

Session: Thursday 15:30 to 17:30, Room 026
Name: Jubo Yan
Affiliation: Nanyang Technological University
Email: yanjubo@ntu.edu.sg
Title: Risk aversion: The need for behavioral explanation(s)
Co-authors:
URL: <https://www.dropbox.com/s/auj2lyqo7b7hkjc/Yan2016.pdf?dl=0>

Previous research have shown that Expected Utility Theory (EUT) of wealth is not a satisfactory explanation of risk aversion at small stake. We use empirical data from a controlled laboratory experiment to show that EUT of income cannot explain observed risk aversion either. The experimental data suggests that the marginal utility of money would decrease at an absurdly high rate if the concavity of Bernoulli utility function is used to explain risk aversion. We demonstrate that loss aversion together with probability weighting explain the observed risk aversion well. The study makes two major contributions to the literature: firstly, we elicit valuations - Willingness to Pay (WTP) and Willingness to Accept (WTA) - for risky prospects to make the reference points more salient; secondly, we estimate a non-parametric probability function and show that our identification is robust to changes in reference points.

Session: Thursday 15:30 to 17:30, Room 026
Name: Agnieszka Tymula
Affiliation: University of Sydney
Email: Agnieszka.Tymula@sydney.edu.au
Title: An experimental comparison of risky and riskless choice – Limitations of prospect theory and expected utility theory
Co-authors: Hui-Kuan Chung, Paul Glimcher
URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2740003

Prospect theory, widely used descriptively for decisions under both risk and certainty, presumes concave utility over “gains” and convex utility over “losses”; a pattern widely seen in lottery tasks. Although such gain-loss asymmetry is also widely used to model riskless choices, limited empirical evidence supports this use. In incentive-compatible experiments we find that in riskless choice gain-loss asymmetries are not observed as predicted by prospect theory even while in the same participants gain-loss asymmetries are observed under risk. Our results imply that utility functions under conditions of certainty can be more closely approximated using neoclassical rather than prospect theoretic preferences.

Session: Friday 09:00 to 11:00, Room 024

Name: Zhengyang (Leo) Bao

Affiliation: Monash University

Email: zhengyang.bao@monash.edu

Title: Regulating bubbles away? Experimental evidence on price limits and trading restrictions in asset markets

Co-authors: Kenan Kalayci, Andreas Leibbrandt, Carlos Oyarzun

URL:

Do asset market regulations deter mispricing? We scrutinize the two key regulations in Chinese stock markets in a series of experimental asset markets using different market fundamental value (FV) processes. When the FV is constant, we observe that price limits and trading restrictions abate bubbles when traders are inexperienced but also that these regulations handicap the adjustment of prices to values when traders get more experienced. In contrast, when the FV is determined by a Markov process, we find that regulations always cause more mispricing. In addition, we find clear evidence in favor for the delayed price discovery hypothesis of price limits in both environments. These findings emphasize the importance of stress testing the effects of interventions in asset markets and suggest that price limits and trading restrictions do more harm than good in typical asset markets.

Session: Friday 09:00 to 11:00, Room 024
Name: Aleksei Chernulich
Affiliation: University of Technology Sydney
Email: aleksei.chernulich@uts.edu.au
Title: Price volatility and forecasting horizons: An experimental investigation
Co-authors: Mikhail Anufriev, Jan Tuinstra
URL: https://drive.google.com/open?id=1nfQNq3IVDI-09Np_8aTiCEscJUzhqmVW

We present results from the laboratory experiment designed to study effects of increasing forecasting horizon on the asset market price volatility. In the markets with positive feedback, where forecasts affect current prices, two competing effects theoretically arise as the forecasting horizon increases: (i) price stabilizes as non-fundamental predictions affect dynamics to a lesser extent and (ii) more cognitively demanding task to predict the price at more distant future periods destabilizes dynamics.

We offered participants in the experiment to repetitively predict the price of the asset in the market, where their forecast for future periods determined the current market price, and we paid them for the accuracy of their predictions. We vary initial history of prices from stable to unstable to investigate how increasing forecasting horizon affects dynamics in different conditions. We find that increasing the forecasting horizon in markets with stable histories stabilizes dynamics. On the contrary, in markets with unstable price history, an increase in forecasting horizon brings instability, although, the effect is diminishing.

Session: Friday 09:00 to 11:00, Room 024

Name: Felix Fattinger

Affiliation: University of Melbourne

Email: felix.fattinger@unimelb.edu.au

Title: Trading complex risks

Co-authors:

URL:

Complex risks differ from simple risks in that agents facing them only possess imperfect information about the underlying objective probabilities. This paper studies how complex risks are priced by and shared among heterogeneous investors in a Walrasian market. I apply decision theory under ambiguity to derive robust predictions regarding the trading of complex risks in the absence of aggregate uncertainty. I test these predictions in the laboratory. The experimental data provides strong evidence for theory's predicted reduction in subjects' price sensitivity under complex risks. While complexity induces more noise in individual trading decisions, market outcomes remain theory-consistent. This striking feature can be reconciled with a random choice model, where the bounds on rationality are reinforced by complexity. When moving from simple to complex risks, equilibrium prices become more sensitive whereas risk allocations turn less sensitive to noise introduced by imperfectly rational subjects. Markets' effectiveness in aggregating beliefs about complex risks is determined by the trade-off between reduced price sensitivity and reinforced bounded rationality. Moreover, my results imply that complexity has similar but more pronounced effects on market outcomes than ambiguity induced by conventional Ellsberg urns.

Session: Friday 09:00 to 11:00, Room 024
Name: Lionel Page
Affiliation: Queensland University of Technology
Email: lionel.page@qut.edu.au
Title: How much information is incorporated in financial asset prices? Experimental evidence
Co-authors: Christoph Siemroth
URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3130307

We propose a new method to estimate how much information is incorporated in financial market prices, and use it in a meta study with data from existing and new double auction experiments. We find that public information is almost completely reflected in prices, but that surprisingly little private information---less than 50%---is incorporated in prices. Our estimates therefore suggest that while semi-strong informational efficiency is consistent with the data, financial market prices may be very far from strong-form efficiency. We compare our estimates with beliefs of economists surveyed at the Econometric Society Meetings, and find that economists and finance researchers alike expect market prices to reflect considerably more private information than what we estimated.

Session: Friday 09:00 to 11:00, Room 026
Name: Pablo Guillen
Affiliation: University of Sydney
Email: pablo.guillen@sydney.edu.au
Title: Default options in matching experiments
Co-authors: Robert Veszteg
URL:

We introduce two novel matching mechanisms, Bottom Trading Cycles (BTC) and Shapley-Gale (SG), with purpose of challenging the idea that strategy proof mechanisms induce high rates of truth telling. BTC and SG are identical to TTC and GS respectively in all but that they have been altered so the dominant strategy is to report preferences in the order opposite to the way they are induced. If participants do not understand strategy proofness under the BTC and SG they would still report their preferences in the order induced by the experimenter. This and other errors account for the vast majority of play in both BTC and SG. Strategy proof play is then reduced to the minimal expression.

Session: Friday 09:00 to 11:00, Room 026
Name: Sebastien Massoni
Affiliation: Queensland University of Technology
Email: sebastien.massoni@gmail.com
Title: Aiming to choose correctly or to choose wisely? The optimality-accuracy trade-off in decisions under uncertainty
Co-authors: Thomas Garcia
URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2946991

When making a decision under uncertainty, individuals aim to achieve optimality. In general, an accurate decision is optimal. However, in real life situations asymmetric stakes induce an unusual divergence between optimality and accuracy. We highlight this optimality-accuracy trade-off and study its origins using two experiments on perceptual decision making. We use Signal Detection Theory as a normative benchmark. The first experiment confirms the existence of an optimality-accuracy trade-off with a leading role of accuracy. The second experiment explains this trade-off by the concern of people for being right.

Session: Friday 09:00 to 11:00, Room 026
Name: Elif Incekara Hafalir
Affiliation: University of Technology Sydney
Email: elif.incekarahafalir@uts.edu.au
Title: Incentive to persevere
Co-authors: Grace Lee, Andrey Siah, Erte Xiao
URL:

To achieve success often requires persistent efforts. We conduct two randomized controlled trials to test the effectiveness of an all-or-nothing rewarding mechanism aimed at incentivising a full completion rate of repeated tasks over a period of time. We find the full completion rate under the all-or-nothing mechanism does not differ from that under the regular piece-rate mechanism. However, when given the option between the all-or-nothing and the piece rate mechanisms in a self-select treatment, a significant amount of participants chose the all-or-nothing mechanism in spite of the risk. The overall full completion rate is significantly higher in the self-select treatment than the piece rate condition. Our results highlight the importance of autonomy in incentivising persistent efforts.

Session: Friday 09:00 to 11:00, Room 026
Name: Romain Gauriot
Affiliation: University of Sydney
Email: romain.gauriot@gmail.com
Title: Fooled by performance randomness: Over-rewarding luck
Co-authors: Lionel Page
URL: <https://ideas.repec.org/p/qut/qubewp/wp049.html>

We provide evidence of a violation of the informativeness principle whereby lucky successes are overly rewarded. We isolate a quasi-experimental situation where the success of an agent is as good as random. To do so, we use high quality data on football (soccer) matches and select shots on goal which landed on the goal posts. Using non scoring shots, taken from a similar location on the pitch, as counterfactuals to scoring shots, we estimate the causal effect of a lucky success (goal) on the evaluation of the player's performance. We find clear evidence that luck is overly in influencing managers' decisions and evaluators' ratings. Our results suggest that this phenomenon is likely to be widespread in economic organizations.

Session: Friday 13:45 to 15:45, Room 024
Name: David Butler
Affiliation: Griffith University
Email: david.butler@griffith.edu.au
Title: Phishing holidays: The market for timeshares
Co-authors:
URL:

A recent book by Nobel Laureates Akerlof and Shiller, *Phishing for Phools*, has drawn attention to the 'dark side' of the nudge. This paper presents the timeshare market as an exemplar; a number of features of this market make it uniquely suitable for this purpose. I highlight the manner in which developers leverage consumer biases and cognitive limitations to secure sales. Our highly imprecise prior valuations for this product dovetail with our cognitive limitations to leave us vulnerable to the developer's preference-shaping deployment of choice architecture. I then draw comparisons with the timeshare resale market to estimate the loss to consumers. I finish with some possible recommendations for reform.

Session: Friday 13:45 to 15:45, Room 024

Name: Uwe Dulleck

Affiliation: Queensland University of Technology

Email: uwe.dulleck@qut.edu.au

Title: Outcome based regulation of financial services – Approaches based on behavioural economics

Co-authors:

URL:

Regulating financial services focusses a lot on the 'know before you owe' paradigm and aims to regulate full disclosure. In this presentation I will propose approaches that rely on outcomes of disclosure, i.e. customer decisions, and argue that regulators can identify and regulate based on dominated or confused choices customers make. To do so we can rely on methods using existing data of financial service providers, computer/laboratory based experiments as well as mystery shopping - field experiments.

Session: Friday 13:45 to 15:45, Room 024

Name: Andreas Leibbrandt

Affiliation: Monash University

Email: andreas.leibbrandt@monash.edu

Title: Risk-taking on the emotional roller coaster: Evidence from a field experiment during the soccer World Cup

Co-authors:

URL:

We investigate financial risk-taking of soccer fans inside stadiums during the 2014 FIFA Soccer World Cup in Brazil immediately before, during, and after games. Using the game outcomes as a quasi-natural experiment to trigger different emotions, we conjecture based on abundant evidence from psychology and emotion research that there is substantial risk-seeking and that risk-seeking depends on whether the supported team has lost or won. Our findings only partly corroborate these conjectures. While we generally observe very high-levels of risk-seeking, we do not observe that risk-taking depends on the game outcome. This study does not only advance the link between risk-taking and emotions by combining a field experiment with a quasi-natural experiment but also by providing novel evidence for substantial risk-seeking while on the emotional roller coaster.

Session: Friday 13:45 to 15:45, Room 024

Name: Franziska Tausch

Affiliation: University of Sydney

Email: franziska.tausch@sydney.edu.au

Title: The customer as donor: An online experiment on Sydney Opera House sales and donations

Co-authors: Kevin Schnepel, Robert Slonim, Agnieszka Tymula

URL:

We investigate how people interested in music and arts choose to spend money on the Sydney Opera House in an online experiment. Being a not-for-profit organisation, the Opera House not only sells tickets but also collects charitable donations for its maintenance and accessibility. The aim of this research is to find out whether sales and donations in a donor-as-customer organisational relationship are complements or substitutes. Therefore, we test how the implementation of donation matching affects ticket purchase and how ticket pricing affects donations. Furthermore, we examine the factors that influence the ticket-donation relationship and vary the recipient of the donation and the awareness that profits through ticket sales may be used for the same purpose as the collected donations.

Session: Friday 13:45 to 15:45, Room 026
Name: Elise Payzan-LeNestour
Affiliation: University of New South Wales
Email: elise@unsw.edu.au
Title: Outlier blindness: Efficient coding generates an inability to represent extreme values
Co-authors: Michael Woodford
URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3152166

How do people perceive outliers? Building on a well-established theory from neuroscience, we conjecture that people are inherently hampered in the way they perceive outliers because the human brain has been designed to devote neural activity to representing the most probable values at the expense of the improbable ones. We find support for this conjecture in a series of controlled laboratory experiments.

Session: Friday 13:45 to 15:45, Room 026
Name: Stephen Cheung
Affiliation: University of Sydney
Email: Stephen.Cheung@sydney.edu.au
Title: True overconfidence, revealed through actions: An experiment
Co-authors: Lachlan Johnstone
URL: <http://ftp.iza.org/dp10545.pdf>

We report an experiment that infers true overconfidence in relative ability through actions, as opposed to reported beliefs. Subjects choose how to invest earnings from a skill task when the returns depend solely upon risk, or both risk and relative placement, enabling joint estimation of individual risk preferences and implied subjective beliefs of placing in the top half. We find evidence of aggregate overconfidence only in a treatment that receives minimal feedback on performance in a trial task. In treatments that receive more detailed feedback, aggregate overconfidence is not observed although identifiable segments of over- and underconfident individuals persist.

Session: Friday 13:45 to 15:45, Room 026
Name: Alice Solda
Affiliation: Queensland University of Technology
Email: alice.solda@qut.edu.au
Title: Overconfidence as a bargaining strategy
Co-authors: Changxia Ke, Lionel Page, William von Hippel
URL:

Most people are overconfident regarding their own abilities. A growing body of evidence now support the idea that overconfidence provides interpersonal advantages in strategic relationships because inflated self-beliefs may advantageously influence others in social interactions. However, overconfidence can become detrimental when the personal interests of overconfident individuals are opposed. We investigate the effect of overconfidence on the outcome of a bargaining situation. Using a lab experiment, our design allows to exogenously manipulate participants' level of confidence and therefore, measuring the causal effect of overconfidence on the individual and social outcome.

Participants are matched in pairs and perform a task individually. Each task completed correctly add a point to a group account that participants will have to share at the end of the experiment. However, participants can only split the group account according to the following allocation rule: one participant has to take 70% of the group account and the other participants has to take 30% of the group account. Participants have 30 seconds to agree. Within these 30 seconds, both shares decreases proportionally and reaches 0 if participants fail to agree before the end of the allocated time. Before participants enter the phase in which they split the money, we manipulate their level of confidence by giving them a unique noisy (unbiased) feedback regarding their probability to have performed better than their partner in the individual task.

Preliminary results show that overconfident participants earn more on average than their partner when the partner is well-calibrated or underconfident. However, being overconfident becomes costly when both partners are overconfident.

Session: Friday 13:45 to 15:45, Room 026
Name: Guy Mayraz
Affiliation: University of Melbourne
Email: g.mayraz@gmail.com
Title: Observable preference between act and rule rationality
Co-authors: Yoram Halevy
URL:

The revealed preference methodology allows an observer to infer the decision maker's preferences from choices. This paper extends this fundamental idea to experimentally investigate the preference for making choices based on simple decision rules. This preference is important because the choices implied by simple decision rules need not be rationalisable by a simple utility function, and the pattern of generalizability to different choice domains need not be the same as that of the utility function that rationalizes them. In the first part of the experiment subjects make case-by-case portfolio allocation choices in one set of problems, and choose an investment rule for selecting portfolios in a second set of problems. In the second part of the experiment they decide between these two decision modes. The majority of subjects opt for the investment rule---a number that does not vary with the complexity of the problems, and cannot be accounted for by reductions in decision time or cognitive costs.