

# Economics 970: Sophomore Tutorial

## Review

Jan Zilinsky

Experiments in Economics

Harvard University

# Topics

- 1 Social pressure
- 2 Donations and charitable/altruistic behavior
- 3 Pure altruism vs. warm glow
- 4 Peer pressure and social comparisons
- 5 Deception
- 6 Reputation
- 7 Coordination problems
- 8 Competitiveness and confidence
- 9 Gender
- 10 Use of credit cards
- 11 Development

# Themes

- Effects of framing on decision-making
- Information overload, confusion
- Anonymity vs. scrutiny
- Field environments versus experiments in the lab

# Experimental economics vs. social psychology

- Economists
  - ① Study markets
  - ② Downplay the importance of context
  - ③ Often assume all people have the same preferences
  - ④ Are interested in equilibria
  - ⑤ Ask what happens to an environment if prices (or other constraints) change
  - ⑥ Are inclined to view outcomes (if freely chosen) are ultimately Pareto efficient
- Psychologists study people (character traits, belief and identity formation, etc.) and see their subjects as prone to making mistakes
- Experimental economists are in some sense in between

## Features of field experiments

- Natural environment
- A more representative subject pool
- Realistic / properly-sized stakes
- Randomization
- (Ecological validity under some assumptions; do subjects know they are observed?)

The first experiment we read about covered social pressure and contributions to low-income students.

# Happiness

- What is it? (E.g. achieving a rational life-plan, pursuit of valuable/enjoyable activities)
- What it is not: comparisons with fortunate neighbors
- A paternalistic view: “People do not necessarily know what will give them lasting satisfaction”
- Predictors of happiness
  - ① Attitudes: optimism
  - ② Income/wealth
  - ③ Employment
  - ④ Relationships with family and friends
  - ⑤ Status

# Where do preferences come from?

- Indoctrination: the process by which organizations imbue society with their ideology or opinion
- Peer effects: influence of the decisions of other's on our own choices

## Peer effects

- Productivity of workers is influenced by the presence of peers
- Performance tends to converge: having high-productivity friends or co-workers is valuable
- We seem to be energized by the presence of others (if they are motivated)
- Less motivated individuals are pressured to work harder



# Collective action and social norms

(Akerlof)

- Our training/ideology shapes how we interpret games
- Coase: efficient allocation will arise if we assign property rights
- Akerlof: public goods will not be overused if people feel they have a sense of duty to behave in certain ways
- Social norms survive if those who break the rules are punished

## Gender

- The topic fundamentally involves questions of identity
- Boys run faster if they run with other boys
- Existing research still emphasizes markets
- Maze-solving: under a winner-takes-all scheme, men try harder
- But competitiveness is not universally higher among men
- Women share more than men even if generosity is costly (the demand curves for altruism cross)
- But remember: publication bias (and implications)

## Ongoing work

- Identity priming
- Persuasion without information provision
- Non-Bayesian updating
- Stereotypes