

Seminar “Topics in Psychoeconomics”

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Contact

- Use this and only this email address: `office.alos-ferrer@wiso.uni-koeln.de`
- This is not the only course we teach. Always write in your email which course it is about, in this case “Seminar Topics in Psychoeconomics”.

Schedule for SS 2016

- Group Meetings take place on certain Tuesdays, 17:45-19:15, Room S 24 (Seminar Building). A good part of the course is based on your own work and face-to-face meetings to discuss it. The course has three phases, explained below.
- *Is attendance required?* Except for your presentation, NO. But it is highly recommended. Please check “Seminar Attendance and the New University Law” in the Brain Gain blog. There are other entries on seminars and studies in that blog that you might want to have a look at.
Of course, you are required to give a presentation to pass.

Phase 1: Introduction

In this phase we will discuss what should be in the presentation and in the written report, and there will be a lecture introducing the content of the seminar topics. The dates are:

- April 19th (Introduction to the Seminar, administrative topics, etc)
- April 26th (Introduction to the topics of the seminar). The slides for this lecture are already in ILIAS. Please download a copy.

Before the Lecture on April 26th, you are expected to read the following two articles (listed as “General References” in the list of articles at the end of this document).

- Camerer, C. F. and Hogarth, R. M. (1999). The Effects of Financial Incentives in Experiments: A Review and Capital-Labor-Production Framework. *Journal of Risk and Uncertainty*, 19(1-3):7-42.
- Moore, D. A. and Healy, P. J. (2008). The trouble with overconfidence. *Psychological Review*, 115(2), 502-517.

Phase 2: Preparing Your Presentation

In this phase you have to choose an article (paper) from the list of articles (“General References” cannot be chosen) and a date for your presentation, and prepare your slides and your written report. *There are no group meetings.* Important notes:

- The deadline for choosing a paper and a date for your presentation (see below) is **May 3rd**. Write an email before that date. Please note that we operate on a “first-come, first-served” basis, so if you are late you might not get your topic or your preferred slot.

- If you encounter difficulties preparing your presentation / report, make an appointment with Prof. Alós-Ferrer. Please note that office hour slots go fast! You need to make an appointment several weeks in advance. Ask for an appointment at the email address above.
- Even if you do not make an appointment, it is recommended that you send a preliminary version of your slides (PDF only!!!) to the email address above. You will then get feedback on the slides, but you need to send them at least two weeks before your scheduled talk.

Phase 3: Student Presentations

We will have student presentations in the dates below. You need to get a slot for one of these dates. There will be at most 4 presentations per slot.

Choose one of these dates:

- May 31st
- June 21st
- July 5th
- July 19th

If students drop out, we might reallocate some talks. If the number of students is larger than expected, we might need additional slots. If this is the case, the last students to choose a topic will get a slot in one of these additional dates (do not choose one of them, these are only “if needed”):

Additional dates (if needed; do NOT choose from them):

- June 14th
- 2nd slot on July 19th, 16:00-17:30, room to be announced.

We *recommend* you to attend all student presentations. Please make sure you check the webpage for announcements, e.g. where we meet. Even for the “regular” slots, we might change the room.

In addition to your presentation, you need to deliver a written report.

The deadline for the written report is July 26th, 24:00.

General Observations

1. **The language is English.** English has established itself as the language of Economic Theory. The literature you will work with will be in English, and it is expected that you write your slides and your written report in English.
2. **The format is PDF.** It is *recommended* to write in L^AT_EX, but you are free to use whatever software you are familiar with to produce your presentation slides and your written report. However, **YOU MUST GENERATE (searchable) PDF FILES** which work across platforms (our group is Windows-free). No other format is accepted. In particular, do *not* come to your presentation with a “PowerPoint” file.
3. **Plan in advance.** You can make an appointment to discuss your presentation and report. However, you need to make the appointment several weeks in advance. Do not count on getting an appointment if you ask just a week in advance—slots go fast! You can also send a preliminary version of your slides before your presentation. You will get feedback, but only if you send them at least two weeks before your presentation.

The Presentation

4. You should prepare a slides-based presentation based on the research paper you have been assigned.
5. Your talk should take no more than 20 minutes, and no less than 15. Practice privately in advance. Several times. As a rule of thumb, this means 9 to 12 slides.
6. Slides have to be easily readable. Use a large type font (if you use \LaTeX simply use a slide style as *Beamer* or *PowerDot*). Do not pack too much in your slides.
7. What belongs in the slides?
 - Introduction: what the paper is about, previous literature.
 - For theoretical papers: Detailed set-up of the model and equilibrium concept (if applicable).
 - For experimental papers: Detailed description of the experimental task and procedural details (sample composition, etc).
 - Detailed presentation of the results, be them theoretical or experimental. Include intuition on them.
 - Details on the statistical analysis (tests, regressions, etc).
 - Graphical illustrations. It is fine to copy-paste pictures from the paper (this is a closed-door presentation), but indicate it clearly in the slide.
 - Discussion, including literature which appeared *after* the paper.
8. If your assigned paper is especially short (less than ten pages), we expect an especial effort on related literature. You *should* briefly discuss other, related papers and compare them to your assigned paper.
9. What should *not* be in the slides?
 - Detailed proofs (but intuition and/or examples are welcome).
 - Long robustness tests (for data analysis).
 - Unsubstantiated opinions.
10. These things *could* be in the slides (but need not be).
 - A more detailed but still short discussion of related papers (1 slide per paper).
 - Self-generated pictures illustrating aspects of the paper.

The Written Report

11. The written report is due at the end of the semester, and can contain elements which appeared in the discussion of your presentation. It can also contain a short discussion of the relation to papers presented by other students (this is actually always a very good idea).
12. The written report should be around 10 (and not more than 15) A4 pages written single-spaced with reasonable margins (not too large, not too small) and a 12pt type font. The bibliography at the end does *not* count towards page count.
13. **Content.** The written report is made out of the following parts.
 - *Introduction.* Where you explain what is the topic and why it is interesting for economists.
 - *Related Literature Review.* Where you briefly explain which other articles are relevant for the issue(s) at hand, and put the paper in a broader context.
 - *Model* (for theoretical papers) or *Experiment* (for experimental papers), where the setup of the paper is presented.
 - *Results*, where the results of the paper are presented and discussed. As in the presentation, avoid repeating proofs (we can read those in the original paper), but make sure you understand them and give intuitions, illustrations, or summaries of the main arguments instead.
 - *Related Work.* Where you briefly summarize related papers which appeared after the one you have been assigned. Conduct an inverse search (through academic databases or at least Google Scholar) to see who has quoted the papers you are working on and why. Find out what has been done on the topic after the papers you review were written.
 - *Conclusion.* Where you summarize the report and its message (1 page; not more, not less).

Mistakes

The following are examples of severe mistakes leading to bad grades. They are all taken from actual student behavior in past seminars. Learn from their mistakes!

- *Mistake: using the wrong version of your paper.* Do not “google” for your paper. Go to the journal’s webpage through the Library’s database and download the published version. There might be preliminary versions on the internet, which might differ from the published version or even contain mistakes. As a student at the University of Cologne, you have access to the journals. Use it!
- *Mistake: not reporting the statistics.* A picture or a table with data is just an illustration. It is nice, but it means nothing. Is the difference significant? At what significance level? How is it tested? Why is that particular test appropriate? Report the statistics prominently, and be prepared to answer questions on them.
- *Mistake: looking only at your paper.* There are several “general papers” which you should read. You should also read the papers which are going to be presented by other participants. You might be asked to discuss the relations among them. Be prepared!
- *Mistake: misquoting.* If a paper is by Smith, Jones, and Gordon (1985), you *cannot* quote it as Smith (1985). How would you feel if you worked hard on a paper and it was attributed to somebody else? Learn how to quote properly, and make sure you do not mix up the authors’ names. Misquoting will automatically reduce your grade.

- *Mistake: textbook literature.* This is not the place to review textbook knowledge from your basic courses. Don't review what is a utility function or a subgame perfect Nash equilibrium. Don't write the n -th summary on the basics of Principal-Agent models. Don't reproduce a detailed definition of repeated games.
- *Mistake: nonacademic sources.* Wikipedia is not a peer-reviewed, academic source. It's fine to use it to find the real sources, but do not mistake it with an academic document. Likewise, not everything you find on Google is an acceptable reference (hint: use the academic databases available within the UoC net, e.g. EconLit, or at least start your searches with Google Scholar).
- *Mistake: coming to your presentation without a working PDF file.* If you show up with a file in the wrong format (e.g. Powerpoint slides), you will not be able to present. This means you will fail the course.
- *Mistake: reading from your notes while presenting.* Your presentation should be hands-free. Do not prepare a text to read. That shows that you are unfamiliar with the paper and are trying to cover up lack of preparation. Look at the slides and at the audience, and explain the paper. It's fine to have a couple of notes handy "just in case", but reading out loud from them is not.
- *Very Bad Mistake: plagiarism.* Plagiarizing is worse than a mistake. It is dishonest behavior. As a first step, it will immediately lead to a "fail" grade. Additionally, we will report it to the administration and that might lead to expulsion from University. We're not kidding. By the way, there is automatic web-searching software to check for plagiarism. So we'll find out. And yes, copying from other students' written reports is also plagiarism.

Seminar topics:

The following list of topics and literature is subject to change. Additional papers can be added as needed, e.g. depending on students' interest. "General references" below are the reading materials for the introductory part of the course and are *not* meant for student's presentations. All other papers present experimental or empirical evidence.

Topic 1: Incentives and Motivation.

Classical economics assumes that increased (monetary) incentives result in increased effort, and increased effort translates in increased performance. A large number of experiments have shown that this relationship is actually very complex. This part of the course will examine the experimental literature on this topic.

General references:

- Camerer, C. F. and Hogarth, R. M. (1999). The Effects of Financial Incentives in Experiments: A Review and Capital-Labor-Production Framework. *Journal of Risk and Uncertainty*, 19(1-3):7-42.
- Deci, E. L., Koestner, R., and Ryan, R. M. (1999). A Meta-Analytic Review of Experiments Examining the Effects of Extrinsic Rewards on Intrinsic Motivation. *Psychological Bulletin*, 125(6):627-668.
- G. Douglas Jenkins, J., Mitra, A., Gupta, N., and Shaw, J. D. (1998). Are Financial Incentives Related to Performance? A Meta-Analytic Review of Empirical Research. *Journal of Applied Psychology*, 83(5):777-787.
- Bonner, S. E., Hastie, R., Sprinkle, G. B., and Young, S. M. (2000). A Review of the Effects of Financial Incentives on Performance in Laboratory Tasks: Implications for Management Accounting. *Journal of Management Accounting Research*, 12(1):19-64.

Papers for presentations:

- Frey, B. and Oberholzer-Gee, F. (1997). The Cost of Price Incentives: An Empirical Analysis of Motivation Crowding-Out, *American Economic Review*, 87 (4), 746–755.
- Gneezy, U., and Rustichini, A. (2000). Pay Enough or Don't Pay at All. *Quarterly Journal of Economics*, 115(3):791-810.
- Heyman, J. and Ariely, D. (2004). Effort for Payment. A Tale of Two Markets. *Psychological Science*, 15(11):787-793.
- DellaVigna, S., and Malmendier, U. (2006). Paying not to go to the gym. *American economic Review* 96(3), 694-719.
- Meloy, M. G., Russo, J.E., and Miller, E. G. (2006). Monetary incentives and mood. *Journal of Marketing Research* XLIII, 267-275.
- Dohmen, T. J. (2008). Detrimental Effects of Rewards. *Journal of Economic Behavior and Organization*, 65(3-4):636-653.
- Ariely, D., Gneezy, U., Loewenstein, G., and Mazar, N. (2009). Large Stakes and Big Mistakes. *Review of Economic Studies*, 76(2):451-469.
- Pascual-Ezama, D., Prelec, D., and Dunfield, D. (2013). Motivation, money, prestige and cheats. *Journal of Economic Behavior and Organization* 93, 367-373 .
- Agranov, M. and Tergiman, C. (2013). Incentives and compensation schemes: An experimental study . *International Journal of Industrial Organization* 31 (3), 238-247.
- Bäker, A. and Mertins, V. (2013). Risk-sorting and preference for team piece rates. *Journal of Economic Psychology* 34, 285-300.

- Klor, E. F., Kube, S., Winter, E., and Zultan, R. (2014). Can higher rewards lead to less effort? Incentive reversal in teams. *Journal of Economic Behavior and Organization* 97, 72-83.
- Hogarth, R. M. and Villeval, M.C. (2014). Ambiguous incentives and the persistence of effort: Experimental evidence. *Journal of Economic Behavior and Organization* 100, 1-19.

Topic 2: Overconfidence.

Human decision makers frequently overestimate their abilities, resulting in overconfidence. This part of the seminar examines the evidence and economic consequences of this psychological phenomenon.

General references:

- Moore, D. A. and Healy, P. J. (2008). The trouble with overconfidence. *Psychological Review*, 115(2), 502-517.
- Camerer, C. and Lovallo, D. (1999). Overconfidence and Excess Entry: An Experimental Approach, *American Economic Review* 89(1), 306-318.

Papers for presentations:

- Ben-David, I., Graham, J. R., and Harvey, C. R. (2013). Managerial Miscalibration. *The Quarterly Journal of Economics* 128 (4), 1547-1584.
- Hirschleifer, D., Low, A., and Teoh, S. H. (2012). Are Overconfident CEOs Better Innovators? *The Journal of Finance* LXVII (4), 1457-1498.
- Malmendier, U. and G. Tate (2005). Does Overconfidence Affect Corporate Investment? CEO Overconfidence Measures Revisited. *European Financial Management* 11(5), 649-659.
- Koellinger, P., Minniti, M., and Schade, C. (2007). “I think I can, I think I can”: Overconfidence and entrepreneurial behavior. *Journal of Economic Psychology* 28 (4), 502-527.
- Grieco, D. and Hogarth, R. M. (2009). Overconfidence in absolute and relative performance: The regression hypothesis and Bayesian updating. *Journal of Economic Psychology* 30 (2009) 756-771.
- Krawczyk, M. (2012). Incentives and timing in relative performance judgments: A field experiment. *Journal of Economic Psychology* 33 (6), 1240-1246.
- Grossman, Z. and Owens D. (2012). An unlucky feeling: Overconfidence and noisy feedback. *Journal of Economic Behavior and Organization* 84 (2), 510-524.
- Buehler, R., Griffin, D., Lam, K. C. H., and Deslauriers, J. (2012). Perspectives on prediction: Does third-person imagery improve task completion estimates? *Organizational Behavior and Human Decision Processes* 117, 138-149.

Topic 3: Gender Effects in Performance and Competition.

Are there economically relevant gender differences? This part of the course looks at so-called “gender effects” in performance and motivation.

General references:

- Charness, G., and Gneezy, U. (2012). Strong Evidence for Gender Differences in Risk Taking. *Journal of Economic Behavior and Organization* 83(1), 50-58.
- Gneezy, U., Niederle, M., and Rustichini, A. (2003). Performance in Competitive Environments: Gender Differences, *Quarterly Journal of Economics*, 118, 1049-1074.

Papers for presentations

- Barber, B. M. and Odean, T. (2001). Boys will be Boys: Gender, Overconfidence, and Common Stock Investment, *Quarterly Journal of Economics* 116, 261–292.
- Niederle, M. and Vesterlund, L. (2007). Do Women Shy away from Competition? Do Men Compete too Much?, *Quarterly Journal of Economics*, 122(3), 1067-1101.
- Bellemare, C., Lepage, P., and Shearer, B. (2010). Peer Pressure, Incentives, and Gender: An Experimental Analysis of Motivation in the Workplace. *Labour Economics*, 17:276-283.
- Brenner, L. A., Koehler, D. J., Liberman, V., and Tversky, A. (1996). Overconfidence in Probability and Frequency Judgments: A Critical Examination. *Organizational Behavior and Human Decision Processes* 65(3), 212-219.
- Brandts, J., and Garofalo, O. (2012). Gender pairings and accountability effects. *Journal of Economic Behavior and Organization* 83(1), 31-41.
- Reuben, E., Rey-Biel, P., Sapienza, P., and Zingales, L. (2012). The emergence of male leadership in competitive environments. *Journal of Economic Behavior and Organization* 83 (1), 111-117.
- Dato, S. and Nieken, P. (2014). Gender differences in competition and sabotage. *Journal of Economic Behavior and Organization* 100, 64-80.