

**Experiments
in Business and
Economics**

28 October 2013
From 10.1 Piazza Saffa 13



Bocconi
Università Commerciale
Luigi Bocconi

8:30am Registration
and Welcome Coffee

Introduction
Martin Dürwienberg
Director BELESS (Bocconi
Experimental Laboratory for the
Social Sciences), Università
Bocconi

The contribution of Functional
Imaging and Neurostimulation
Approaches to Management
Decisions
Stefano Cappi
Università Vita-Salute
San Raffaele

11:30am Coffee Break

Cooperation Hidden Frontiers:
The behavioral foundation of the
Italian North-South divide
Marco Casati
University of Bologna

12:45pm Buffet

2:00pm
Let's Talk: How communication
affects contract design
Gary Charness
UC Santa Barbara

Why Don't People Lie More?
Uri Gneezy
UC San Diego, Rady School of
Management

For information
contact events@unibocconi.it
Registration required at
www.unibocconi.it/events

OPEN VENTURE!

INTRODUCTION
... first topic ...
→

= ME !

* joined Bocconi & DEC Sept-2013

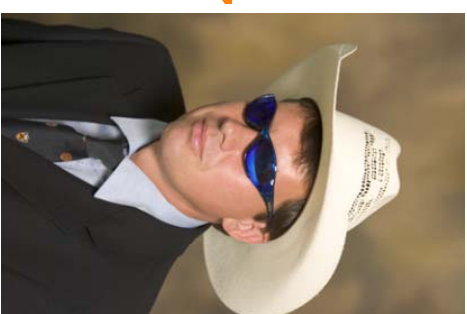
* facilitation strategic interaction

* originally from SVERIGE

* last ten years @ U of Arizona

* i am the new director of BELSS

small picture →



* i hope today's event will ... advertise lab ...
... encourage / start intellectual community cutting
across disciplines ... highlight nature of modern
experimental work in social science → 4 FRB SPARKERS

↳ in these connections i
want to say
two things ... →

①

this is
the big
picture
of BELSS





grazie!

Guiseppe Attanasi, Pierpaolo Battigalli, Tito Boeri,
Maniella Botticini, Alessandra Cillo, Fabrizio Iozzi,
Fabio Maccheroni, Massimo Marinacci, Deborah Meloso,
Josh Miller, Andrea Ordanini, Lorenzo Peccati,
Andrea Sironi, Guido Tabellini, Maurizio Zolo, ...

Bocconi
Università Commerciale
Luigi Bocconi

9:30am Registration
and Welcome Coffee

Introduction
Martin Duenweg
Director EELSS/Bocconi
Experimental Laboratory for the
Social Sciences, Università
Bocconi

The Contribution of Functional
Imaging and Neurostimulation
Approaches to Management

Dieckmann
Stefanie Crippa
Università Vita-Salute
San Raffaele

11:30am Coffee Break

**Cooperation, Hidden Features:
The behavioral foundation of the
Italian North-South divide**
Marco Cassi
University of Bologna

12:45pm Buffet

2:00pm
Let's talk: How communication
affects corporate design
Carly Orleans
Co-Sales Director

**Why Don't People Use More?
UnGreenly**
UC San Diego, Rady School of
Management

For information
contact: events@unibocconi.it
Registration required at
www.unibocconi.edu/events

Experiments
in Business and
Economics

20 October 2015
Room 101 Piazza Saffa, 13

The rest of this introduction - my views on ...

* classical experimental economics

* modern experimental social science

* what these perspectives suggest as regards the role of BELS and experiments @ Bocconi

* let the speakers loose ...

Classical experimental economics

Suggestion: check out:
then find:
Al Roth's Game Theory, Experimental Economics, and Market Design Page
Roth, A.E. "On the Early History of Experimental Economics," Journal of the History of Economic Thought, 15, Fall, 1993, 184-209.

who?

what?

"Three strands" ← Smith's theories...

① INDIVIDUAL CHOICE

- Thurstone (1931) ... "hats, shoes, coats"
- Roxsides & Hart (1951) "egg & bacon"
- Allais (1953) ... "Allais paradox"

② GAME THEORY

- Dresher & Flood (1950)
- John Nash's comments
- Kolm, Milnor, Nash, Neuhing (1954)

③ IO

- Chamberlain (1948)
- Suermann & Selten (1959)
- Siegel & Fouraker (1960)
- SMITH (1962)

talk about!

Vernon
SMITH (1962)

THINK ABOUT IT...

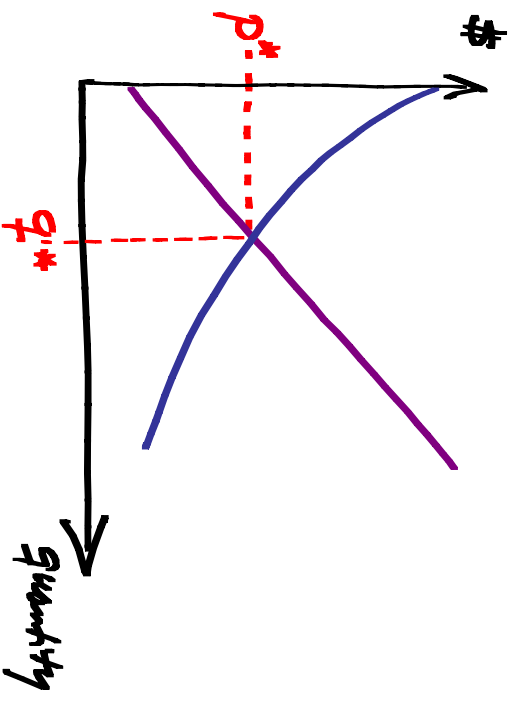
how do markets work?

do they make people better off?

could they make people even better off?

do the answers depend on institutional details?

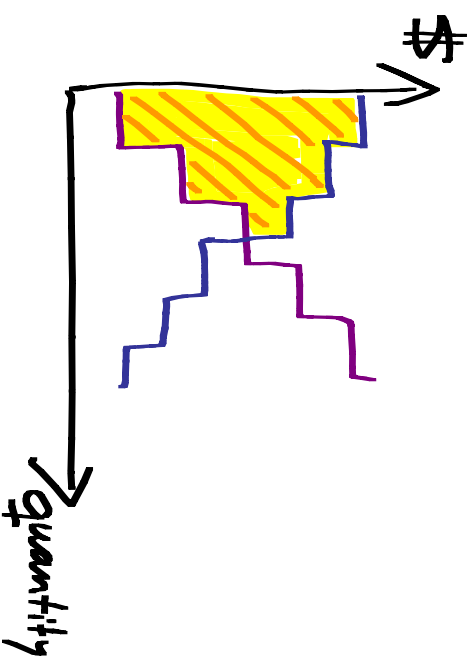
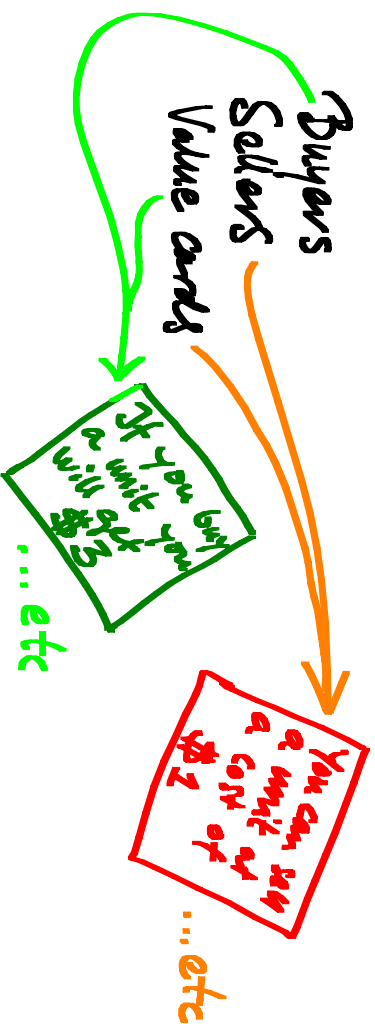
Std textbook story ...



is the account valid?
how can we test it?

discuss problem with trading, say, oranges
 → values/costs not known to analyst

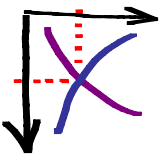
⇒ Smith's trick: BUY & SELL AN ABSTRACT LAB GOOD
 (and clean behavior)
 INDUCE VALUES!



- (oral) double auction
- finding: THEOREM WORKS!

Something to reflect on...

What's the best support in economics for the claim that free markets are good?



A...ty 1:
A...ty 2:
A...ty 3:

GET
The writings
of Hayek

Objection: The empirical relevance
is questionable!

Try 4: Smith (1962) +

experimental economists should be proud and respectful of their classical scholarship

BUT THERE IS A NEW KID ON THE BLOCK ...

it's promising to offer rich rewards

it draws on insights from fields outside economics,
while offering much in return \Rightarrow 2-way exchange

i propose that BELSS be attuned to these developments
i'm talking about ...

! some
guess



BEHAVIORAL ECONOMICS (BE)

quote some but i will write:

Economics uses sophisticated mathematical and econometric methods, but often relied on simplistic assumptions about human nature. Research in neighboring sciences, by contrast, generally use less sophisticated analytical methods while entertaining a richer description of man. BE combines the strengths of both approaches, incorporating psychological insights into economic analysis, with continued use of sophisticated analytical tools.

BE recently became the fastest growing field in economics and by many accounts the most exciting. The background is a wealth of evidence, often experimental, identifying empirical phenomena that are not adequately explained by traditional analysis. BE develops new models that incorporate emotions, fairness, reciprocity, social norms, bounded rationality, myopia, etc. The research often builds on decision and game theory, which provide more flexible tools for this purpose than classical price theory or general equilibrium theory. BE is developed hand-in-hand by theorists & experimentalists, many scholars having a foot in each camp.

By its nature, BE is cross-disciplinary. Economists are informed by researchers in other fields, such as psychology, sociology, philosophy, and the neurosciences. In return, BE offers analytical tools, models, and modes of thinking that can enhance the research of scholars outside economics.

A PERSPECTIVE ON BE

STD VIEW OF ECONOMIC AGENT:

$$\text{MAX}_{a \in A} \sum_{\text{all } x} p(x|a) \cdot u(x)$$

Knowledge →
Bayesian priors →
own consumption utility →
"a selfishly unbiased maximizer"

yet e.g. experiments suggest...

- people are not all selfish (ex: ultimatum bargaining)
- people are biased information processors (ex: confirmatory bias)
- people do not maximize (ex: framing effects; chess)

read Rabin (1998, JEL)

theorists tell stories of how the world works
behavioral stories incorporate good psychology
Some examples (where I was involved)

hold-up & vengeance
marital investments & emotions
tax evasion with a conscience
anger & austerity
reciprocity & deposit insurance
social norms & moral hazard
temptations & informal agreements
...

experiments can be
useful for exploring
empirical relevance
of such stories!

more examples?
we can look forward to ...

TODAY'S SPEAKERS

a spectacular line-up ...

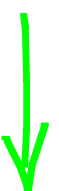
will introduce
as we go ...

FINAL NOTE:

One title is a QUESTION ...
I happen to know the answer
(found in Rome a week ago)

Stefano Cappara
Marco Casari
Gary Charness
Uri Gneezy

GUESS WHAT?



Bocconi
Università Commerciale
Luigi Bocconi

Salim Rashid
and Wilson de Carlos
Introduction
Martin Dullemeier
Director EEL-ES (Bocconi
Experimental Laboratory for the
Social Sciences), University
Bocconi

The Contribution of Functional
Imaging and Neurostimulation
Approaches to Management
Decisions
Stefano Cappara
Università Vita-Salute
San Raffaele

11:30am Coffee Break

Cooperation Hidden Features:
The behavioral consequences of
Italian North-South divide
Marco Casari
University of Bologna

12:45pm Buffet

2:00pm
Let's Talk: How communication
affects contract design
Gary Charness
UCSD San Diego

Why Don't People Lie More?
Uri Gneezy
UCSD San Diego

Registration email:
concrete@econ.bocconi.it
www.bocconi.it/events



FAVE

NICE

A

DA!