Ronald Peeters (Otago): On generosity in public good and charitable dictator games

Abstract: We examine the relationship between generosity in charitable dictator games (CDGs) and public good games (PGGs). We construct a novel generalized game that subsumes both as special cases and present experimental subjects with different blends of CDG and PGG tasks. Generosity in the CDG and PGG are only weakly correlated, in spite of close experimental control on confounding factors. We furthermore demonstrate how underlying preferences shape these behaviors, revealing important distinctions between preferences for charity and public good provision. Our findings have implications for the generalizability of existing experimental results that rely upon these games.

Chanelle Duley (UoA): Cultural assimilation and nation building

Abstract: We present a model of cultural assimilation characterised by a trade-off between miscoordination and lock-in. Individuals use shared values to predict how others are likely to behave and sometimes find it optimal to forego intrinsic preferences by assimilating into the behaviour of another cultural group. Nation building policies affect this trade-off. When individuals can costlessly switch between social behaviours, nation building is unambiguously welfare improving. But when behaviours provide intrinsic benefits, nation building has social costs -- under compulsion to adopt a salient behaviour, a proportion of society experiences lock-in, with cultural distance determining whether costs are concentrated in a single cultural group. We derive testable implications and clarify conditions under which politically motivated governments fail to choose socially optimal nation-building policies. Overall, our results temper the benefits of traditional assimilationist nation building.

Simona Fabrizi (UoA): Voting Behaviour with an Asymmetric Loss Function: Understanding the Experimental Evidence

Abstract: There is a small literature that tests binary voting behaviour in the laboratory – think of voting in a jury trial (but without discussion between jurors). Most of these experiments use symmetric loss functions – both types of error (convicting the innocent and acquitting the guilty) receive the same penalty – even when the unanimity rule is used to determine the outcome (i.e., the defendant is acquitted unless all jurors vote guilty). There is one extant study (Anderson et al., 2015) that employs a loss function with a higher penalty for convicting the innocent, and its results show by far the largest difference between the data and the theoretical prediction. We have conducted two more voting experiments involving an asymmetric loss function. This talk discusses our results, as well as those of Anderson et al. (2015) and assesses the prospects of reconciling the data with theory.

Norimichi Matsueda (Kwansei Gakuin University): Strategic Individual Behaviors and the Efficient Vaccination Subsidy

Abstract: This study addresses the issue of socially desirable vaccination subsidy provided by the government against an infectious disease, by incorporating several different suppositions concerning the behaviors of individuals within a social group. The vaccine promotion has become a very prominent public agenda in the society's efforts to contain health and economic damages due to the recent outburst of COVID-19, but not much attention has been paid to an exact scale and natures of efficient vaccination subsidy even in the context of more common infectious diseases, such as a

seasonal influenza. While it is generally accepted that health and economic damages arisen from a seasonal influenza in total clearly overwhelm the social cost of vaccination, not enough share of the population has been vaccinated to get anywhere close to the status of herd immunity even in a well-developed country, partly due to a significantly low level of vaccination subsidy.

In considering a desirable level of vaccination, it is important to acknowledge the spill-over effects of vaccination/non-vaccination not only from the societal perspective but also from each individual's viewpoint. When the vaccine is effective against the transmission of a communicable disease, the vaccination of one individual lowers the infection possibilities of other individuals (i.e., vaccination is a classic example of a positive externality). In determining whether he or she will get vaccinated, an individual takes into account the overall vaccination rate, and because of this, a typical Pigouvian measure is not an efficient policy measure. In this study, we resort to different behavioral conjectures for individual behaviors on their vaccination choices and discuss their implication for the socially efficient level of vaccination subsidy.

As an intriguing result, we show, even in a standard Nash conjecture where each individual correctly predicts the resulting infectiousness of a disease and makes a vaccination decision before it actually arrives, those individuals generally over-react to the changes in the virulency of a disease and also in the scale of the side-effects of a vaccination, and, therefore, an efficient level of vaccination subsidy needs to take these strategic behaviors into consideration as well as other variables. Furthermore, we show when it is optimal to provide a vaccination free of charge to the public in general and how the result depends on the individual behaviors and their expectations in choosing whether or not to vaccinate themselves.

Doriani Lingga (UoA): The News Media Bargaining Code: A Two-sided Market Framework

Abstract: The recent News Media Bargaining Code passed by the Australian government mandates giant digital platforms to pay a lump-sum compensation to news media providers in the country. A similar law was later adopted by Canada, while other countries, including the UK, the EU, and New Zealand, are considering similar moves. Combining a two-sided market and Nash bargaining models, this study features a bilateral monopoly, consisting of a digital platform and a media provider, potentially attracting viewers and advertisers from each side of the market. The analysis highlights the roles of negative externalities incurred by viewers from advertisements and the positive network externalities enjoyed by advertisers from the presence of viewers in an outlet. Furthermore, it demonstrates how the entities involved behave strategically in choosing the associated variables to benefit the most from Nash bargaining. The variables include advertisement prices chosen by both entities, the subscription fee, and the level of content visibility by the media provider.

Matthew Ryan (AUT): Revealed "Luce rationality"

Abstract: This project (which is very much work-in-progress) explores connections between three topics: the Luce model of stochastic choice, conditional probability systems and common priors for differentially informed agents. These topics analyse very similar mathematical structures. We show that two important recent results on Luce models have precursors in the other two research areas. We leverage these connections to generate new insights into the classical Luce model.

Steffen Lipper (UoA): "Leadership and Cooperation in a Sequential Prisoners' Dilemma"

Abstract: Endogenous leadership in economic games has been shown to elicit greater levels of leader-follower cooperation than exogenously determined leadership. We contribute to this literature by modelling a sequential prisoners dilemma with endogenous leadership selection. In the Transparent treatment, a Principal determines the order of play which is then communicated to the Agent, whilst in the Opaque treatment this choice is not. We test this theory with an experiment (N=300) and conclude that endogenous leadership elicits greater Second Mover cooperation in response to cooperation when compared to an exogenous control treatment, but First Mover cooperation is consistent between treatments and type (Principal or Agent). We also find that rates of self-selection of Principals into leadership are consistent between Transparent and Opaque treatments. Additionally, we find evidence that Psychopathy predicts defection, whilst Machiavellianism and Narcissism do not.

Asha Sadanand (University of Guelph): "Selten's Horse: an experiment on sequential rationality"

Abstract: In a seminal paper, Selten (1975) developed the game Selten's Horse to illustrate some aspects of rationality. In our study, we test the equilibrium predictions of Selten's Horse through a laboratory experiment, and we find that most of the behaviour is not according to existing conventional refinements that adhere to sequential rationality. Some, though not all, behaviour is better explained by the notion of Ideal Reactive Equilibrium (Sadanand 2019) which has developed from an extension of Manipulated Nash Equilibrium (Amershi, Sadanand and Sadanand 1985a, b, c.)

With potential for errors and experimenting in real human behaviour, Quantal Response Equilibrium provides a good fit, and Level-k thinking provides the best fit for our data. Actual behaviour can be predicted reasonably well by a simple model of Level–-k thinking in which we also incorporate the idea of virtual observability, according to which the players behave as if their subsequent players behave as if observe their actions. We find evidence that the participants' behaviour indeed conforms to virtual observability to some extent, but this is limited to immediate successors. Level-k thinking is prevalent in the more complex version of the game than the original game. Moreover, in that game we see first movers naively move towards their most preferred equilibrium and follower players anticipate such behaviour and exploit it by systematically reaching off-equilibrium outcomes that are more favourable to them.

Paul Calcott (VUW): "Choosing between imperfect proxies for a corrective tax"

Abstract: Choices are sometimes distorted by internalities or externalities. This paper considers a setting in which the distortion cannot be taxed directly and asks how a policymaker should choose a proxy variable to tax instead. We derive a criterion for when one proxy should be preferred to another and consider a range of factors with implications for this criterion. These factors are (i) sensitivity to the tax rate, (ii) how accurately the taxed variable approximates the distorted variable, (iii) susceptibility to offsetting behaviour, and (iv) consumer heterogeneity. Our analysis is illustrated with a comparison between ad valorem and volumetric taxes on sugar-sweetened beverages.

Onur Koska (Canterbury): "Labor-Eliminating Technological Progress and Foreign Direct Investment"

Abstract: Capital scarce developing countries heavily depend on the inflow of foreign direct investment (FDI) to sustain economic growth. However, if a developing economy experiences labor-eliminating technical progress, such inflow of capital may replace labor in manufacturing. This may compel policy makers to advocate for a foreign investment tax to restrict the inflow of capital into manufacturing as the sector faces a labor-eliminating technical change. Contrary to this view, modeling labor-eliminating technical change in a general equilibrium specific factors model, we show that, when such technical progress is financed by FDI, wages will rise and any policy that restricts inflow of foreign capital does not benefit workers.