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Vienna Center for Experimental Economics

# Annual Report 2020





# Foreword

Due to the Covid-19 pandemic, also activities at the VCEE had to be reduced as of Spring last year. As a result, we could for instance not organize the popular Away Day, where members of the VCEE retreat to a place in the countryside to discuss research projects in greater detail and to spend some free time together. Also, the annual Behavioral Public Economics Workshop could not take place in 2020.

But, of course, life at the VCEE did not come to a standstill.

First of all, last year we hired two excellent new junior colleagues. Si Chen joined us after finishing her PhD at the University of Bonn (Germany) and Yan Xu after finishing her PhD at the Erasmus University in Rotterdam (The Netherlands). Also, we welcomed Georg Schmidt who joined VCEE as a PhD student.

Moreover, whenever possible we continued to run sessions at the VCEE lab, of course under very strict safety restrictions. Also, all seminar activity was quickly moved online. We even launched a new seminar series, called “VCEE workshop,” where VCEE members present work that is in an early stage to collect feedback before the design is finalized and experiments are run. This new series is very popular as available slots are requested and assigned very quickly. This new seminar series is also open to all members of the economics department at the University of Vienna. We are grateful to our student lab assistants for their commitment to run sessions despite the adverse circumstances.

We are currently in the process of enabling the running of online experiments. Naturally, various technical problems will have to be solved in the process. Think for instance of providing a stable environment, checking the identity of subjects or paying them. I am sure that our lab managers, Geoffrey Castillo and Philipp Külpmann, will live up to the challenge. I am excited about this new initiative and I am sure that it will prove useful as an alternative to lab experiments beyond the current pandemic. After all, we will, for instance, be able

to run sessions for experiments that require an even larger group of subjects than the usual number of participants in the physical lab. Also, this move might inspire efforts to reach out to subjects quite different from the usual convenience sample.

Last year, I was a member of a Curricular working group that was tasked with designing the new Master in Applied Economics as well as a new Research Master in Economics and Finance. Part of the Master program in Applied Economics will be the choice module “Behavioural and Experimental Economics” in which members of the VCEE will teach a series of basic methods and advanced/specialized courses in our field. This will enable students taking these courses to apply behavioral/experimental methods and insights in their later jobs in the private or the public sector. In the Research Master in Economics and Finance, members of the VCEE will above all teach a course in which students will concentrate on working out a fully-fledged research project that could serve as the basis for a chapter of their PhD thesis.

Last but certainly not least, members of VCEE attracted external funding. Jean-Robert Tyran and VCEE alumni and current VCEE affiliate Axel Sonntag received funding from the Austrian National Bank for the project “Understanding Social Mobility: An experimental approach” and Jean-Robert Tyran and Linda Dezső obtained funding from the Austrian Science Fund (FWF) for the project “Self-serving Views on Redistributive Fairness.” Congratulations on these achievements!

Like everyone else, I very much hope that the efforts of fighting the Covid-19 pandemic will intensify so that also life at the VCEE can come back to normal sooner rather than later.

Wieland Müller,  
Managing Director of the VCEE



# Summary

## Purpose of the Center

The Vienna Center of Experimental Economics (VCEE) provides the infrastructure for conducting experimental research at the University of Vienna and is a forum for the discussion and the exchange of ideas.

The primary focus of the VCEE is to investigate the relevance of bounded rationality and social preferences in the economy, society and the state. In addition, the VCEE contributes to research and teaching in other branches of experimental economics and to the development of experimental methods and behavioral economic theory.

Laboratory experiments are an important tool of research in economics. To be able to use this method effectively, we operate a 150 m<sup>2</sup> state-of-the-art experimental laboratory located on the premises of the University Campus. The lab includes 28 workstations and a control room. Operations began in the autumn of 2011. Today, we can draw on a pool of several thousand subjects for recruiting and 1,504 subjects passed through the lab in 2020.

The VCEE primarily serves the research needs of its own members and provides infrastructure for research in experimental economics at the University of Vienna more generally. However, experienced experimentalists from other institutions and universities are welcome to submit applications for using our laboratory facilities. We try to accommodate all suitable applications. In case of capacity constraints, internal applications (by VCEE members; members of the Faculty of Business, Economics and Statistics; researchers at other faculties of the University of Vienna) are prioritized over external ones (researchers from other institutions in Austria and abroad). Applicants are requested to consult our guidelines for users which can be obtained from the lab manager.

The VCEE is more than just an experimental lab. We aim at engaging in debate and intellectual exchange in all aspects of experimental economics. Since experiments can be used to investigate almost all joined issues in economics and the social sciences, we are open to a broad range of issues and research questions as long as the investigations are methodologically sound and ethically unproblematic. We particularly

welcome interaction with researchers from management, political science, psychology or sociology.

To promote intellectual exchange and to provide a platform for debate, we organize workshops, run an active seminar series for internal and external presenters and maintain our network of experienced academics as affiliates.

The VCEE is also a hub for education in behavioral and experimental economics at the University of Vienna. We offer a broad range of courses on experimental methods and its applications at the Master level and educate about half a dozen of PhD students.

## Research and Publications

Research at the VCEE resulted in 4 publications in 2020. Members of the VCEE have presented on-going research at various conferences. Specific research topics studied include:

- » Reduction of loss aversion
- » Social preferences
- » Preference reversals
- » Cooperation and trust
- » Fairness and intuition
- » Price competition for experience goods
- » Expressive voting
- » Influence of poverty and social status on individual decision-making
- » Gambler's fallacy and the hot-hand fallacy
- » Information sharing and extortionary corruption
- » Money illusion
- » Experimental methodology
- » Motivation of voters and the quality of democratic choice
- » Risk aversion related to cognitive ability
- » Consistency and structure of time preferences
- » Strategies for the establishment of trust
- » Belief formation

## Workshops, visitors and international networking

In order to strengthen its international research network and visibility, the VCEE maintains an active visitor program. In 2020, due to Covid-19, most of these visits took place online. Our visitors came from institutions such as the University of Cologne, Tel Aviv University, the University of Economics Prague, the University of Lausanne, the University of Warwick, Vrije Universiteit Amsterdam, and many more. The VCEE also organises an internal workshop where its members can present their project at their early stage.

## Teaching

Our faculty continues to offer a large number of courses:

- » Si Chen taught “Macroeconomics”
- » Linda Dezső taught “Economic Psychology”
- » Victor González-Jimenez taught “The Challenge of Poverty” and “Behavioral Economics”
- » Christian Koch taught “Topics in Behavioral and Experimental Economics” and “Principles of Behavioral and Experimental Economics”
- » Martin Kocher taught “Designing Economic Experiments”
- » Wieland Müller taught “Political Order, Culture, Geography and Economic Development,” “Decision and Game Theory” and “Seminar in Experimental Economics”
- » Alexander K. Wagner taught “Principles of Public Economics,” “Topics in Applied Behavioral and Experimental Economics” and “Topics in data-driven decision making”
- » Yan Xu taught “Applied Economics”

# People at the VCEE

## Faculty



[Martin Kocher](#) is co-director of the VCEE. He is also the Director of the Institute for Higher Studies and holds a visiting professorship at the University of Gothenburg.



[Wieland Müller](#) is the current managing director of the VCEE. He also holds a professorship at Tilburg University.



[Jean-Robert Tyran](#) is co-director of the VCEE. He is currently the Vice-Rector for Research and International Affairs of the University of Vienna. He also holds a professorship at the University of Copenhagen.



[Geoffrey Castillo](#) is senior scientist and co-lab manager.



[Linda Dezső](#) joined us from the Department of Applied Psychology in February 2019.



[Philipp Külpmann](#) is senior scientist and co-lab manager.



[Alexander K. Wagner](#) is assistant professor at the VCEE.



[Si Chen](#) is assistant professor at the Department of Economics. She joined us from the University of Bonn in October 2020.



[Victor González Jimenez](#) is assistant professor at the Department of Economics.



[Christian Koch](#) is assistant professor at the Department of Economics.



[Yan Xu](#) is assistant professor at the Department of Economics. She joined us from the Erasmus University in Rotterdam in October 2020.

## Affiliate Faculty

Affiliate faculty members are experts in experimental economics who frequently contribute to the activities of the VCEE—as co-authors, presenters or seminar participants. Current affiliates are:

- » Ben Greiner
- » Melis Kartal
- » Steffen Keck
- » Erich Kirchler
- » Georg Kirchsteiger
- » Bernhard Kittel
- » Boris Maciejovsky
- » Markus Reitzig
- » Rupert Sausgruber
- » Axel Sonntag
- » Sigrid Suetens
- » Erik Wengström

## Research Assistants

In 2020 the following students assisted the research activities at the lab:

- » Sebastian Ertner
- » Julian Mayrhuber
- » Sena Ökmen
- » Anna Osipenko
- » Georg Pointner
- » Nikita Roshchupkin
- » Polina Samoilenko
- » Lilla Tolnai
- » Klara Weinhappl
- » Verena Woharcik

## PhD Students

Several PhD students carried out research at the VCEE in 2020. They have all contributed to the effective functioning of the VCEE and to the creation of a vibrant academic atmosphere. They are:

- » Simone Häckl
- » Eryk Kryowski
- » Nora Kungl
- » Georg Sator
- » Sigma Samhita
- » Georg Schmidt
- » Dominik Stelzeneder

# Seminars and events

## Visitors

The VCEE maintains a visitor program which provides a platform for the presentation and discussion of recent research activities as well as the exchange of new ideas and developments in the field of experimental research. Short-term visitors usually give a seminar presentation.

Because of COVID-19, most of the following researchers gave an online talk in 2020:

- » Gönül Dogan, University of Cologne, Germany, January 24
- » Dotan Persitz, Tel Aviv University, Israel, January 24
- » Lubomir Cingl, University of Economics Prague, Czech Republic, April 24
- » Lisa Windsteiger, Max Planck Institute of Tax Law and Public Finance, Germany, April 24
- » Holger Rau, University of Göttingen, Germany, May 29
- » Adrian Bruhin, University of Lausanne, Switzerland, May 29
- » Radosveta Ivanova Stenzel, Technische Universität Berlin, Germany, June 19
- » Tomas Miklanek, University of Economics Prague, Czech

Republic, June 19

- » Anastasia Danilov, Humboldt-Universität zu Berlin, Germany, October 16
- » Despoina Alempaki, University of Warwick, UK, November 13
- » Menusch Khadjavi, Vrije Universiteit Amsterdam, the Netherlands, December 4

## VCEE Workshop

In our workshops VCEE members present their experimental designs and receive feedback from their peers. In 2020 we had the following presentations:

- » Wieland Müller, “Who is more rational: individuals or groups?”, May 8
- » Si Chen, “Self-Motivating Workers”, October 23
- » Georg Schmidt, “Preferences for Redistribution in the Opportunity and the Outcome Domain”, November 20
- » Victor González-Jimenez, “Echo chambers in the laboratory”, December 18

## Vienna Behavioral Economics Network

The Vienna Behavioral Economics Network (VBEN) events facilitate the exchange between scientists, practitioners, and the general public. They are organized by members of the VCEE and FehrAdvice & Partners, a consulting company.

Arno Riedl: Fairness zwischen Jung und Alt—Verhaltensökonomische Evidenz zu Rissen im Generationenvertrag



Arno Riedl is Professor of Public Economics at Maastricht University. The event took place on 30 January 2020 at the Österreichische Nationalbank.

Because of COVID-19 the remaining events took place online:

- » Gerhard Fehr and Martin Kocher (16 April 2020): “Die Welt nach Corona: Verhaltensökonomische Werkzeuge für den Weg aus der Krise”
- » Gerhard Fehr and Martin Kocher (28 April 2020): “Die Welt nach Corona, Folge 2: Compliance – die Dosis macht’s! Verhaltensökonomische Werkzeuge für den Weg aus der Krise”
- » Gerhard Fehr and Martin Kocher (12 May 2020): “Die Welt nach Corona, Folge 3: Die Welt stand still! Lehren aus dem ersten Lockdown. Was nun?”
- » Dan Ariely and Ernst Fehr (27 May 2020): “The Way out of Corona: Why Testing matters”
- » Wolf Lotter and Gerhard Fehr (1 September 2020): “Context is King, oder: Die Welt wieder verstehen. Verhaltensökonomischer Diskurs”
- » David Dreyer Lassen (15 September 2020): “Tracking. Tracing. Tagging. Big Data and who benefits from it”
- » Kerstin Grosch (3 September 2020): “ ‘Das ist nichts für Mädchen!’ Lust auf Technik und MINT machen – aber wie?”



# Research outputs

## Publications

“The attraction effect and its explanations”

[Geoffrey Castillo](#)

*Games and Economic Behavior*

“Do reference points affect workers’ fairness perceptions?  
Experimental evidence on wage rigidity”

[Christian Koch](#)

*Journal for Labour Market Research*

“Risking Other People’s Money: Experimental Evidence on  
the Role of Incentives and Personality Traits”

Ola Andersson, Hakan Holm, [Jean-Robert Tyran](#) and Erik Wengström

*Scandinavian Journal of Economics*

“Robust inference in risk elicitation tasks”

Ola Andersson, Hakan Holm, [Jean-Robert Tyran](#) and Erik Wengström

*Journal of Risk and Uncertainty*

a steeply decreasing installment plan (i.e., with initially high installments that decrease over time) alongside the usual flat installments plan (i.e., with equally sized repayments through the whole term). The steeply decreasing installment plan increases consumers’ attention to making repayments, and consequently, they attend less to obtaining the loan. This results in a decreased preference for the flat installment plan and a shift towards not borrowing. We conclude that policy may combat harmful loan consumption by prescribing the presentation of loan offers such that at least one option includes high initial repayments, which is instrumental in decreasing the salience of getting a loan.

“Inequitable wages and tax evasion”

[Linda Dezső](#), James Alm, and Erico Kirchler

In a two-stage, preregistered lab experiment, we examine whether wage inequity has a greater impact on tax compliance and on the beliefs about prevailing compliance norms among the wronged when it results from intentional human choice versus a random mechanism. Subjects are organized into groups of six. In the first stage, we perform a wage inequity manipulation by assigning equitable or inequitable wages to subjects as remuneration for a trivial, real-effort task. In the second stage, subjects are prompted to report their incomes, of which a certain percent is deducted but not redistributed between them. Next, subjects state their incentivized beliefs about the mean of the declared-to-true income ratio among their group members. We find that tax compliance and beliefs about the prevailing compliance norms are eroded when wage inequity stems from intentional human choice but not when the same wage is randomly chosen. Consequently, it is not the wage inequity per se that reduces tax compliance and corrupts beliefs about the norms, but rather the inequity due to human choice. Our results demonstrate that incidental unfairness in the form of intentional wage inequity adversely spills over onto tax compliance and beliefs about the prevailing compliance norms. In conclusion, intentional wage inequity can be harmful for the society as a whole.

“Comparing Theories of One-Shot Play Out of Treatment”

[Philipp KÜlpmann](#) and Christoph Kuzmics

## Working Papers

“Exploiting context-dependent preferences to protect borrowers”

[Linda Dezső](#), Barna Bakó, Gábor Neszveda and Erico Kirchler

Focusing bias describes how people when making choices give disproportionate attention and weight to attributes in which their options differ more. In addition to present bias, focusing bias is one of the key contributors to over-borrowing in situations where paying out-of-pocket is not an option. It describes that consumers excessively focus on the salient difference between getting the loan and not getting it, while ignoring the remote and seemingly minor differences between making and not making repayments. Consequently, consumers maximize a focus-weighted utility on the spot which falls below their ex post consumption utility. In two studies, we demonstrate that in a loan decision, the salience of getting the loan can be decreased by carefully designing the set of plans offered. The crux is to jointly offer

We collect data of one-shot play for a representative selection of two by two games with unique and completely mixed strategy predictions, to compare the predictive power of theories of one-shot play “out of treatment:” competing theories are calibrated with pre-existing data using different games and subjects. We find that all theories, except Nash equilibrium, have predictive power; no theory is uniformly best; and taking into account risk aversion significantly improves predictive power. Finally, Nash equilibrium with risk aversion is among the best predictors of play, except for one player position in games of a matching pennies variety.

“Fake News, Voter Overconfidence, and the Quality of Democratic Choice”

Melis Kartal and [Jean-Robert Tyran](#)

This paper studies, theoretically and experimentally, the effects of overconfidence and fake news on information aggregation and the quality of democratic choice in a common interest setting. We theoretically show that overconfidence exacerbates the adverse effects of widespread misinformation (i.e., fake news). We study extensions that allow for partisan biases, targeted misinformation intended to move public opinion in a specific direction, and correlated news signals (due to media ownership concentration or censorship). In our experiment, voters are exposed to correct news or misinformation depending on their cognitive ability. Absent overconfidence, more cognitively able subjects are predicted to vote while less able subjects are predicted to abstain, and information is predicted to aggregate well. We provide evidence that overconfidence induces misinformed subjects to vote excessively, thereby severely undermining information aggregation.

“Equal Opportunities for All? How Income Redistribution Promotes Support for Economic Inclusion”

Ilona Reindl and [Jean-Robert Tyran](#)

We experimentally investigate how income redistribution shapes support for economic inclusion, i.e., a policy that creates equality of opportunity for income generation. We study a setting in which low-endowment subjects are excluded from investment opportunities unless those with high endowments transfer resources to the low-endowment subjects. We find that support for economic inclusion is stronger among high-endowment subjects if incomes are known to be redistributed in the future compared to a situation in which this is precluded by design. Income redistribution spreads both risks and returns of investments in the population which, in turn, induces a higher rate of profitable investments, and this prospect tends to foster support for economic inclusion. Income redistribution thus induces more equal and efficient outcomes by boosting popular support for economic inclusion.

## Talks and presentations

“Measuring the importance of social distances”

[Geoffrey Castillo](#)

*Central European University, Austria*

15 Dec 2020

“Motivated Information Acquisition in Social Decisions”

[Si Chen](#)

*Economic Science Association Online Conference*

20 Aug 2020

“Building trust: The costs and benefits of gradualism”

[Wieland Müller](#)

*University of Copenhagen, Denmark*

12 May 2020

“Civic Engagement, Democratic Choice, and the Accountable State”

[Jean-Robert Tyran](#)

*Economic Science Association Online Conference*

10 Sep 2020

“Revealed preferences over experts and quacks and failures of contingent reasoning”

[Yan Xu](#)

*Econometric Society Winter Meeting 2020, Nottingham, United Kingdom*

15 Dec 2020

“Revealed preferences over experts and quacks and failures of contingent reasoning”

[Yan Xu](#)

*2020 ESA Global Online Around-the-Clock Meetings, United States*

12 Sep 2020

## Externally Funded Projects

“Understanding Social Mobility – An experimental approach”

Axel Sonntag and [Jean-Robert Tyran](#)

Funded by the Austrian National Bank

“Self-serving Views on Redistributive Fairness”

[Linda Dezső](#) and Jean-Robert Tyran

Funded by the Austrian Science Fund (FWF)