

May 28, 2017

Prof. Krešimir Žigić
CERGE-EI
Politických vězňů 936/7
110 00 Praha 1-Nové Město
Czech Republic

Re: “Essays in Experimental Economics,” a PhD dissertation by Tomáš Miklánek

Dear Professor Žigić:

Please find below my examiner’s report on Tomáš Miklánek’s PhD dissertation. I have read over his dissertation and can confirm that it satisfies formal and content requirements for a PhD thesis in Economics. I recommend the candidate be admitted for a defense and, conditional on the defense being successful, be awarded a PhD degree.

The dissertation presents original analyses of the described economic issues of i) shame under information asymmetry, ii) endogenous information acquisition, and iii) crowding out of social preferences by fixed-prize lotteries in the provision of public goods.

The dissertation demonstrates adequate knowledge of the literature, economic modelling, the appropriate use of the experimental methodology, and thus makes an interesting contributions in its field. The experiments presented all chapters were properly conducted, the statistical analysis was appropriate, and any shortcomings were properly acknowledged. Having said that, there is a long way between finalizing



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the dissertation (working papers) and getting the research published in top peer-reviewed economics journals. I wish the candidate good luck on this journey!

Please let me know if you have any questions or if you require further information from me.

Sincerely,

Maroš Servátka

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Examiner's Report on "Essays in Experimental Economics," a PhD dissertation by Tomáš Miklášek

The first paper presents a simple model of inequality aversion with asymmetric information about the pie size. The basic intuition behind the theoretical results is that a marginal unit of income transferred by a giver (dictator in the experiment) under informational asymmetry increases the recipient's expectation about the pie size. The author then extends the model to incorporate shame, which relies on the observability of one's action, into the picture. The intuition derived from the model is tested in a dictator game experiment that features information asymmetry and a third party observer.

The size of the pie gets drawn randomly from 5 different uniform distributions: $U[50,70]$, $U[70,90]$, $U[90,110]$, $U[110,130]$ and $U[130,150]$. The dictator makes an allocation decision for each of the five realizations of the pie. In the end, one of the decisions gets randomly selected for payment. In the baseline treatment, the dictator knows the exact size of the pie, the recipient only knows the underlying distribution. The experiment examines the impact of (i) revealing the size of the pie to the recipient after the decision has been made and (ii) a 3rd party observer who gets to see a picture of the dictator along with the pie size and the dictator's decision.

The data show that: 1. There is no effect of the pie size on the share allocated to the recipient; 2. Revealing the pie size to the recipients increases the share if an observer is present, but does not otherwise and similarly, presence of an observer increases the share only if the pie size is being revealed to the recipient. 3. These differences are caused mainly by a larger number of dictators giving a positive amount rather than by an increase in the actual amount given; 4. There is a (weak) negative correlation between dictators' decisions and the self-reported feeling of shame.

Regarding this paper I would recommend the candidate to address the following issues that will help him publish the paper at a high quality journal: (i) make a more convincing claim that the observed results are being driven by shame and (ii) add an additional control treatment with no observer but with photos of all subjects taken before the experiment.

The topic of the second paper is ego-utility and endogenous information acquisition. The main idea behind the study is testing whether people obtain the optimal level of information that will allow them to make the best decision (i.e. reaching the best monetary outcome). In reality, people's utility often depends on their perceptions of their own skills. As such, they might be willing to sacrifice monetary payoffs in order to increase their utility from positive beliefs about these skills (= ego-utility).

The paper presents an experiment testing information acquisition in an environment where potentially useful information is available, but the decision whether to acquire it is left to the subjects. In the experiment the subjects are choosing between two lotteries, outcomes of which depend on the performance in a knowledge quiz. Subjects can improve their performance by acquiring costless noisy signals. The experiment varies whether the subjects can create positive beliefs about their performance or not (and thus do not increase their ego-utility). Only about $\frac{1}{2}$ of the subjects acquires the maximum amount of signals, with most of the subjects who acquire less than the maximum, acquiring only one or zero signals, providing some evidence for cognitive dissonance aversion and profit maximizing Bayesian updating.

While the second paper constitutes also a valid PhD dissertation research exercise with its limitations and shortcomings properly acknowledged, Tomáš will need to address several things prior to its submission to a journal. Namely, I would urge him to be more explicit about the research question that is being tested in the experiment and more closely tying the experiment to the four theories that he discusses, virtually making his experiment a horse-race. It will also be important to highlight the contribution of the paper (e.g. Does the current paper address what we don't already know? How does it build on the existing literature? What are the advantages of the

design with costless signals? Tomáš needs to be more explicit when describing the treatments, the reasons behind them, and the predictions from the perspective of the four theories that are discussed in the paper.) Is it possible to come up with a mixture model of behavior explaining types behaving according to the listed theories? Finally, the English exposition needs to be cleaned up a bit, e.g. missing/redundant articles and so on.

The last paper, coauthored with Peter Katuščák, tests whether fixed-prize lotteries crowd out public good contributions driven by social preferences. Under a fixed lottery prize, holding other contributions constant, increasing one's own contribution increases the expected earnings at the expense of other participants, a negative externality. The public goods VCM literature documents that many participants contribute because of their social preferences, e.g. many subjects in VCM experiments behave as conditional contributors. Introducing a lottery might to some degree crowd out such social preferences. To test this conjecture, the experiment features a treatment in which one group member cannot win the lottery, meaning that his contribution is subject to the crowding out effect, but not driven by prize seeking. This treatment is then compared to a VCM treatment and a lottery treatment. The data demonstrates presence of a crowding out effect over various parameterizations.

I enjoyed reading this paper and found the treatment that prevents one group member from winning the prize to be a clever way of addressing the research question. My main comment – again motivated by hoping to increase Tomáš' chances of publishing the paper at a good journal – is related to identification of motivation that is being crowded out. Currently, the motivation to contribute is being described as social preferences. These could include motivations such as altruism (unconditional social preferences) or reciprocity (conditional preferences). I believe the chances of publishing the paper at a top journal would significantly increase if the authors were able to precisely identify which aspect of social preferences is being crowded out (a la Cox, 2004).