Essays in Experimental Economics

Tomáš Miklánek

Abstract

The first chapter introduces a theoretical model of inequality aversion which can also be used in an environment with information asymmetries. The model is based on the non-paternalistic approach where, the own utility function incorporates the utility of other people as perceived by a decision maker. Moreover it allows extensions for other motives which may result in pro-social behavior. I extend the model by adding shame aversion as an additional driver for apparently altruistic behavior. Threat of shame is induced by different levels of exposure of either own actions or identity to the third party observers. I also experimentally test predictions of the model using a very simple environment of a dictator's game. The experimental design aims to remove additional confounding behavioral effects present in the previous literature. The results suggest that even a very small exposure results in significantly higher amounts sent to recipients. The analysis also shows that the agents, who believe that they can conceal their own actions in front of the less informed counterpart, exploit this information asymmetry for their monetary benefit.

The second chapter examines endogenous decisions to acquire useful information. My experimental design tries to test predictions of ego-utility theories and other relevant theories about the decision-making process of agents in the environment with costless signals. Only slightly more than half of the subjects acquired an optimal number of the signals for payoff maximization. The results suggest that for the subjects making sub-optimal decisions, aversion to cognitive dissonance is the prevalent channel. Contrary to this, I find much less support for the ego-utility theory and theory of information ignorance in my setting. The availability of information alone does not automatically lead to an improvement in decisions.

The third chapter (co-authored by Peter Katuščák) examines interaction of financial and pro-social motives in public good provision. One prominent mechanism suggested to alleviate problem of free-riding is a fixed-prize lottery with winning probabilities proportional to individual contributions (Morgan, 2000; Morgan and Sefton, 2000). Yet, as extensively documented by economic experiments, subjects often contribute even in the absence of incentives of this kind, suggesting that their contributions are driven social preferences. This raises a question of how the lottery incentive interacts with social preferences. We present an experiment in which we de-couple the contribution effect of own prize seeking from the potential crowding out effect due to the perception that the others contribute because of their prize seeking, rather than to benefit the group. Even though the lottery increases contributions relative to the voluntary contribution case, we find that it also crowds out voluntary contributions that are likely driven by social preferences.