

MANAGEMENT AND ORGANIZATIONS (MORS) 426-1
Economics, Social Psychology, and their Experiments
Fall 2009 Mondays, 10 - 1 pm
Room 387, Leverone Bldg, Jacobs Center
J. Keith Murnighan
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Social psychology and economics are two fields that share many interests. Over the last 20 years or so, researchers in both fields have addressed many of the same topics, albeit from different points of view. This course will focus on how these two fields overlap. We will accomplish this by reading some of the best work in both fields; on more than one occasion, this will mean looking at how the two fields have addressed the same set of topics. What we will discover is that they both make great use of the experimental method. I have claimed in a recent paper that “No other truly social science uses experimental methods as much as these two fields.” I have also argued (with my friend Thomas Ross, 1999), that experiments provide a common arena for these two important fields to effectively collaborate:

In other words, the goals of the two fields differ, but the focus of their attention, ultimately, involves individuals’ choices – aggregated for economically important reasons, isolated for psychologically important reasons. The completely common, identical meeting place for both fields, then, is the individual choice. ... both fields want to improve the methods that they can use to observe and understand these choices. The challenge is to overcome the notion that “the two fields promote different kinds of thinking and different philosophies, and these differences make it difficult for people in the two disciplines to collaborate, much less appreciate each others’ work” (Murnighan & Ross, 1999).

This Ph.D. seminar will attempt to push an appreciation of both approaches. There is much to be said for both. As with any form of empirical inquiry, there is also much to be critiqued. We will try to emphasize the former as we inevitably confront the latter.

Topics will include

A general introduction	Altruism
Emotions, Physiology, and Money	Auctions
Fairness	Decision Making
Trust	Gender
Bargaining and Negotiation	
Prisoners’ Dilemmas, Social Dilemmas, and Public Goods Games	
Ultimatum and Dictatorship Games	
Cheating, Economic Behavior, and Social Norms	

This is only a limited list. Due to time constraints, we will not be able to cover every topic that the two fields have addressed. But this list provides a good representation of the more direct overlaps of the two fields.

For each class, you should read the readings in advance. Prior to each class (after the first), each of you will help to generate the discussion questions for that class. Each of you will also lead or co-lead discussion for one or two topics (depending on the size of the class). You will have the opportunity

to choose your favorite topics for the days you lead discussion (although some flexibility may be necessary for the more popular topics).

Everyone will contribute actively to the discussion. The discussion leader(s) will generate at least three discussion questions for their topics, emailed to me by Sunday at 9pm, the night before our class meetings. Everyone else in the class will email at least one open-ended discussion question per topic, again by Sunday at 9pm. I will reproduce all the questions and distribute them to everyone at the beginning of each class.

We will also reserve time for each of you to present a hypothesis and an experimental design to investigate it. Your hypothesis should be related to some of the course material. Your proposed design should incorporate elements of both an economic and a social psychological approach to research. We will begin these student presentations on October 12; they will continue each week through the rest of the course.

Student Evaluations:

1. Our discussions will assume that everyone is familiar with the readings for that day so that you can be prepared to discuss them. The discussion leaders will summarize the readings briefly at the beginning of each class to refresh everyone's memories. They may also report on and introduce material from other recent readings throughout our discussion.
2. Each class will explore what we know and what we don't know about the day's topic. We'll pursue what we'd like to know and how we would go about discovering it. We will also pay attention to how the topic has been attacked by economists and how it has been attacked by social psychologists, and how each approach could benefit from the other.
3. Each class we will try to outline actual research projects that would extend current lines of research on the topic. We will try to incorporate elements from both economic and social psychological approaches to the questions at hand. In particular, an easy way for us to analyze the research papers we will be reading is for us to use a social psychological lens to evaluate the economics papers and to use an economics lens to evaluate the social psychological papers. In essence, we can ask: how would scholars from the other tradition approach this question? What would they have done that the current authors did not do?
4. Written assignments will include three hypotheses with preliminary research designs, and one long, research-type paper that fleshes out the introduction and the methods of one of your hypotheses. You will present this last proposal to the class; you will then submit the paper as if you were submitting it to a journal. You will receive two written reviews of your paper on the basis of my comments and those of another reviewer.

The short hypothesis/design papers (~2 pages) should use one or more of the ideas that have surfaced in the papers we've been reading. You can propose new, competing hypotheses or some that are more interesting than anything previous authors have thought of. These papers should lay out the background of the area briefly and then get into the new idea. Support your ideas and your designs as logically and as completely as you can. These papers are due on October 5th, 19th, and November 2nd. Each of these papers should present a different hypothesis.

The initial submission of your longer paper is due Tuesday, November 31st, at 3pm. This is the second day of the ninth week of the quarter. This paper may be an expansion of either of the short papers or something new. This paper should propose a model or set of hypotheses. It should look like the first half of a journal article and include:

- Introduction: What is the research question? Why is it important? What prior research has been done? What questions remain unanswered?
- Theory, model, and hypotheses: What are the independent and dependent variables? What relationships do you expect? Why?
- Methods: How would you collect data to test your hypotheses? What would you use to manipulate your factors and/or what measures would you use to operationalize your constructs? What statistics would you use to test your hypotheses? If the data confirmed your hypotheses what would the results of the statistical tests look like?

Note: your paper should clearly include and incorporate methods that reflect both experimental economics and social psychology. Prior to submitting your paper, you should give it to a couple of your colleagues and ask them for comments. Then you should revise your paper on the basis of their comments.

If you send the first readable version of one of your papers to a journal, its chances of getting a revise-and-resubmit decision will be extremely low. In fact, editors are often angry and disappointed when they read papers that have obviously not been looked at by others first. Thus, this is one of those activities that you should make a habit of; you should also develop a set of colleagues who can and will comment critically on your work. This is one of the many keys to success in our profession.

When you have gotten comments from your colleagues and revised your paper in line with their suggestions, you should submit your paper with a cover letter as if you were submitting it to a journal. In fact, you should specify the journal you are submitting your “article” to and you should submit 1 hard copy and 1 soft copy.

I will act as the editor. I will send soft copies out for another review. You and your classmates will review each others’ papers, anonymously. I understand that you will know whose papers you are reviewing. But we will continue to act as if anonymous reviewers are reviewing them and we will not reveal the identity of the reviewers or of the authors. Thus, your hard copy should have a title page that includes your name; the soft copy should not include that page. Both copies should include an abstract page that includes the title but not include your name.

Your review of your colleague’s paper will need to be back to me on December 6th. I will try to have my own letters to you by December 10th.

Grading

- a) three short papers 10% each
- b) participation and presentations in class and paper reviews 20%
- c) final paper 50%

In both class discussions and written assignments, you are invited and encouraged to bring in other concepts and ideas from other relevant literatures. If anyone should run across an article of particular interest, please bring it to our attention so that we can incorporate it into the readings. We don't have to restrict ourselves to the readings in the syllabus.

ONE FINAL NOTE: please read the readings that are listed in 12-point font and be ready for discussion for our first class meeting on September 21st. (All of the readings listed in 10-point font are recommended, not required). I will lead discussion that day. Thanks.

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Sept 21 A General Introduction

Rabin, "Psychology and Economics," Journal of Economic Literature, 36, 11-46, March 1998

Camerer, Introduction, pages 1-42. Behavioral Game Theory. 2003.

Murnighan, J. K. and Roth, A. E. (2006). Some of the ancient history of experimental economics and social psychology: Reminiscences and analysis of a fruitful collaboration. In De Cremer, D., Zeelenberg, M., & Murnighan, J. K. (Eds.) Social Psychology and Economics, pages 321-334.

Camerer, Colin F. and Fehr, Ernst. "When Does 'Economic Man' Dominate Social Behavior?" Science, Vol. 311, 6 January 2006.

Murnighan, J. K. A General Model for Experimental Inquiry in Economics and Social Psychology, 2009.

Murnighan, J. K. & Ross, T. (1999). On the collaborative potential of psychology and economics. (The introduction to a special issue). Journal of Economic Behavior and Organization, 39: 1-10.

De Cremer, D., Zeelenberg, M., & Murnighan, J. K. (2006) Social animals and economic beings: on unifying social psychology and economics. In Social Psychology and Economics, pages 3-16.

Croson, R. 2006. Contrasting methods and comparative findings in psychology and economics. In De Cremer, Zeelenberg, & Murnighan, Social Psychology and Economics, pages 301-320.

Ariely, Dan, and Michael I. Norton. "Psychology and Experimental Economics: A Gap in Abstraction." *Current Directions in Psychological Science* 16, no. 6 (December 2007): 336-339.

Sept 28 Altruism

Larrick and Blount 1997 The claiming effect: why players are more generous in social dilemmas than in ultimatum games. JPSP 72: 810-825

Fehr & Bester. Is altruism evolutionarily stable? J Econ Behavior & Org, 34/2 (1998), 193 - 209.

Miller, D. The norm of self interest. American Psychologist, 1999.

Fehr & Fischbacher The Nature of Human Altruism, *NATURE* 425, 23 October 2003, 785-791.

Batson, in DeCremer, Zeelenberg, and Murnighan, 2006, "Not all self-interest after all."

Parochial Altruism in Humans, *Nature* 442 (2006), 912-915 (Fehr Bernhard and Fischbacher)

- Trivers, Robert L. 1971. The evolution of reciprocal altruism. Quarterly Review of Biology, 46:35-57
- Murnighan, Kim, & Metzger (1993). The volunteer dilemma. *Admin Science Quarterly*, 38: 515-538.
- Lee & Murnighan. (2001). The empathy-prospect model and the choice to help. J.Applied Social Psych, 31: 816-839.
- Fehr & Gächter. Altruistic Punishment in Humans. *NATURE* 415, 10 January 2002, 137-140.
- Chou, E, and Murnighan, J. K. (2009). The APES model and the choice to help.

Oct 5 Emotions, Physiology, and Money

- Pillutla, M. M. and Murnighan, J. K. (1996). Unfairness, anger, and spite: Emotional rejections of ultimatum offers. Organizational Behavior and Human Decision Processes, 68: 208-224.
- Gilbert, D. T., Pinel, E. C., Wilson, T. D., Blumberg, S. J., & Wheatley, T. P. (1998). Immune neglect: A source of durability bias in affective forecasting. *JPSP*, 75(3), 617-638.
- VanBoven, Dunning, & Loewenstein. (2000) Egocentric empathy gaps between owners and buyers: Misperceptions of the endowment effect. *Journal of Personality and Social Psychology*, 79(1), 66-76.
- Loewenstein, Weber, Hsee, & Welch. (2001). Risk as feelings. *Psychological Bulletin*. 127, 267–286.
- Lerner, J. S., Small, D. A., & Loewenstein, G. (2004). Heart strings and purse strings: Carryover effects of emotions on economic decisions. *Psychological Science*, 15, 337-341.
- Shiv, B., Loewenstein, G., Bechara, A., Damasio, H. & Damasio, A.R. (2005). Investment behavior and the negative side of emotion. *Psychological Science*, 16, 435-439.
- Baumeister, Vohs, DeWall, & Zhang 2007. "How Emotion Shapes Behavior: Feedback, Anticipation, and Reflection, Rather than Direct Causation," Personality and Social Psychology Review
- Schachter and Singer, 1962, *Psych Review*, Cognitive, social, physiological determinants of emotional state.
- Zajonc, R. B. (1980). Feeling and thinking: Preferences need no inferences. *AmPsych*, 35, 151-175.
- Lazarus, R. 1982. Thoughts on the relations between emotion and cognition. *AmPsych*, 37, 1019-1024.
- Loomes & Sugden. 1982. Regret theory: An alternative theory of rational choice under uncertainty. *Economic Journal* 92:805-824.
- Damasio, A. 1994. *Descartes' Error*. NY: GP Putnam.
- Haidt, J. (2001). The emotional dog and its rational tail: A social intuitionist approach to moral judgment. *Psychological Review*, 108, 814-834.
- Morris, M.W., & Keltner, D. (2000). How emotions work in interpersonal conflicts: An analysis of the social functions of emotional expression in negotiations. *Research on Org Behavior*, 22, 1-50.
- Fehr & Dufwenberg. 2000. Why do you hate me? On the survival of spite, *Economics Letters*, 67, 147 – 152.
- Lerner, J., & Keltner, D. (2001). Fear, anger, and risk. *JPSP*, 81, 146-159.

Tiedens, L. Z. & Linton, S. (2001). Judgment under emotional certainty and uncertainty: The effects of specific emotions on information processing. *JPSP*, 81, 973-988.

Fehr. 2002. The Economics of Impatience, *NATURE* 415, 17 January 2002, 269-270.

Dunn, J. & Schweitzer, M (2005). Feeling and believing: The influence of emotion on trust. *JPSP*, 88, 736-748.

Small, D.A., Loewenstein, G. and Slovic, P. (2007). Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims. *Organizational Behavior and Human Decision Processes*, 102(2), 143-153.

Ashton-James, C., Maddux, W. W., Galinsky, A. D., & Chartrand, T. L. (in press). Who I am depends on how I feel: The role of affect in the expression of culture. *Psychological Science*.

Physiology

Fehr et al. Oxytocin Increases Trust in Humans, *NATURE* 435 (2005), 673-676

Diminishing Reciprocal Fairness by Disrupting Right Prefrontal Cortex, *SCIENCE*, October 2006 (Fehr Knoch Pascual-Leone, Meyer & Treyer).

Knutson, B., Rick, S., Wimmer, G.E., Prelec, D. & Loewenstein, G. (2007). Neural Predictors of Purchases. *Neuron*, 53(1), 147-156.

Tabibnia, Satpute, & Lieberman. 2008. ["The sunny side of fairness: Fairness preference activates reward regions \(and disregarding unfairness activates self-control circuitry\)."](#) *PsyScience*, 19:4,339-347.

Crockett, M.J., Clark, L., Tabibnia, G., Lieberman, M.D., & Robbins, T.W. (2008). ["Serotonin modulates behavioral reactions to unfairness."](#) *Science*, 320, 1739.

Loewenstein, G. & Lerner, J. S. (2002). The role of affect in decision making. Handbook of Affective Sciences (R.J. Davidson, K.R. Scherer & H.H. Goldsmith (Eds.)): 619-642

Loewenstein, G., Rick, S. and Cohen, J. (2008). [Neuroeconomics](#). *Annual Review of Psych*, 59, 647-672.

Fehr et al. Oxytocin Shapes the Neural Circuitry of Trust and Trust Adaptation in Humans, *Neuron*, 58(4), 639-650.

The Neural Basis of Altruistic Punishment, *SCIENCE* 305, 1254-1258, 2004.

Tabibnia, G., & Lieberman, M. D. (2007). ["Fairness and cooperation are rewarding: Evidence from social cognitive neuroscience."](#) *Annals of the New York Academy of Sciences*, 1118, 90-101.

Money

["The Psychological Consequences of Money,"](#) Kathleen D. Vohs, Nicole Mead, and Miranda Goode, *Science* (2006). Nov. 17, 2006.

Dunn, Elizabeth W., Lara B. Aknin, and Michael I. Norton. ["Spending Money on Others Promotes Happiness."](#) *Science* 319 (March 2008): 1687-1688.

Fehr & Tyran. Money Illusion + Coordination Failure, *Games & Economic Beh*, 58 (2007), 246-268

"Merely Activating the Concept of Money Changes Personal and Interpersonal Behavior," Kathleen D. Vohs, Nicole L. Mead, and Miranda R. Goode, *Current Directions in Psychological Science* (2008).

Oct 12 Prisoners' Dilemmas, Social Dilemmas and Public Good Games

Dawes, McTavish, & Shaklee 1977. Behavior, communication, and assumptions about other people's behavior in a commons dilemma. - *Journal of Personality and Social Psychology*,

Andreoni 1990. "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving." *Economic Journal*, v. 100, June, 464-477.

Morris, Sim, & Giroto. (1998). Distinguishing sources of cooperation in the one-round Prisoner's Dilemma: Evidence for cooperative decisions based on the illusion of control. *JExptl Social Psych* 34, 494-512.

Fehr, Fischbacher & Gächter. Are people conditionally cooperative? Evidence from a public goods experiment, *Economics Letters*, Volume 71, Issue 3, June 2001, Pages 397-404.

List, John A., "Friend or Foe? A Natural Experiment of the Prisoner's Dilemma," *Review of Economics and Statistics*, (2006), 88(3), pp. 463-471.

Weber, J. M. & Murnighan, J. K. (2008). Suckers or saviors? Consistent contributors in social dilemmas. *Journal of Personality and Social Psychology*, 95, 1340-1353.

Fischbacher & Gächter. Social preferences, beliefs, and the dynamics of free riding in public good experiments. *American Economic Review*, *in press*.

Roth, A. E. and Murnighan, J. K. (1978). Equilibrium behavior and repeated play in prisoners' dilemma games. *Journal of Mathematical Psychology*, 17, 189-198.

Dawes, Social Dilemmas, *Annual Review of Psych*, 1980

Axelrod, R. and Hamilton, W. (1981). The evolution of cooperation. *Science*, 211: 1390-1396.

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Murnighan, J. K. and Roth, A. E. (1983). Expecting continued play in prisoner's dilemma games: A test of several models. *Journal of Conflict Resolution*, 27, 279-300.

King & Murnighan. (1988). Stability and outcome tradeoffs in asymmetric dilemmas: Conditions promoting the discovery of alternating solutions. In Tietz, Albers and Selten (Eds.), *Bounded Rational Behavior in Experimental Games and Markets*. New York: Springer, 85-94.

Erev, I., Bornstein, G., & Galili, R. (1993). Constructive intergroup competition as a solution to the free rider problem: A field experiment. *Journal of Experimental Social Psychology*, 29, 463-478.

"Rational Cooperation in the Finitely Repeated Prisoner's Dilemma: Experimental Evidence." James Andreoni J.H. Miller. *Economic Journal*, v. 103, May 1993, 570—585.

Kerr, N. L., & Kaufman-Gilliland, C. M. (1994). Communication, commitment, and cooperation in social dilemmas. *Journal of Personality and Social Psychology*, 66, 513-529

James Andreoni "Cooperation in Public Goods Experiments: Kindness or Confusion?" *American Economic Review*, v. 85, no. 4, September 1995, 891- 904.

"Altruism, Reputation, and Noise in Linear Public Goods Experiments," (T Palfrey & J. Prisbrey) *Journal of Public Economics* (1996, v. 61, pp. 409-27).

"Anomalous Behavior in Linear Public Goods Experiments: How Much and Why?" (with J. Prisbrey) *American Economic Review*, (December 1997, v. 87, #5, pp. 829-46).

Croson & Marks. The Effect of Incomplete Information in a Threshold Public Goods Experiment. *Public Choice*, Vol 99, 1999, pp. 103-118.

"Pre-Play Contracting in the Prisoners' Dilemma." James Andreoni H.R. Varian, *Proceedings of the National Academy of Sciences*, v. 96, September 1999, 10933—10938.

Fehr & Gächter. Cooperation and Punishment in Public Goods Experiments, *American Economic Review* 90 (2000), 980-994.

"Choice of Partners in Multiple Two-Person Prisoner's Dilemma Games: An Experimental Study", (Rosemarie Nagel Esther Hauk). *Journal of Conflict Resolution*, Dec. 2001, Vol. 45 (6), pp. 770-793

Wade-Benzoni et al JAP 2002. Cognitions and behavior in asymmetric social dilemmas

Bottom, W., Daniels, S., Gibson, K. S., and Murnighan, J. K. (2002). When talk is not cheap: Substantive penance and expressions of intent in rebuilding cooperation. *Org Science*, 13, 497-513.

Bornstein, G., & Gneezy U. (2002). Price competition between teams. *Exptl Economics*, 5, 29-38.

Wit, Arjaan P; Kerr, Norbert L. (2002). 'Me versus just us versus us all': Categorization and cooperation in nested social dilemmas. *Journal of Personality and Social Psychology*. 83(3): 616-637.

Loewenstein, Zhong, & Murnighan (2003). Speaking the same language: The cooperative effects of labeling in the prisoners' dilemma.

Croson, Fatas, & Neugebauer. Reciprocity, Matching and Conditional Cooperation in Two Public Goods Games. *Economics Letters*, Vol 87, 2005, pp. 95-101.

Rachel Croson—Theories of Commitment, Altruism and Reciprocity: Evidence from Linear Public Goods Games. *Economic Inquiry*, Vol. 45, 2007, pp. 199-216.

Lount, R. B., Zhong, C., Sivanathan, N., & Murnighan, J.K. (2008). Getting off on the wrong foot: restoring trust and the timing of a breach. *Personality and Social Psychology Bulletin*, 34. 1601-1612.

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Oct 19 Bargaining and Negotiations

Roth, Bargaining. In Roth and Kagel (1995). *The Handbook of Experimental Economics*. Princeton.

Valley, K., Thompson, L.L., Gibbons, R., & Bazerman, M.H. How Communication Improves Efficiency in Bargaining Games. *Games and Economic Behavior*, 2002, 38, 127-155.

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Morris, Larrick, & Su. (1999). Misperceiving Negotiation Counterparts: When Situationally Determined Bargaining Behaviors Are Attributed to Personality Traits. *JSP* 77(1), 52-67

Drolet, A. & Morris, M. W. (1999). Rapport in conflict resolution: Accounting for how face-to-face contact fosters mutual cooperation in mixed-motive conflicts. *J of Exptl Social Psych*, 36, pp.26-50.

Maddux, Mullen, & Galinsky, (2008). Chameleons bake bigger pies and take bigger pieces: Strategic behavioral mimicry facilitates negotiation outcomes. *J of Experimental Social Psychology*, 40, 461-468.

Roth, A. E., Malouf, M. W. K., and Murnighan, J. K. (1981). Sociological versus strategic variables in bargaining. Journal of Economic Behavior and Organization, 2, 153-178.

Roth, A. E. and Murnighan, J. K. (1982). The role of information in bargaining: An experimental study. Econometrica, 50, 1123-1142.

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Bazerman, M.H., Magliozzi, T., & Neale, M.A. Integrative Bargaining in a Competitive Market. *Organization Behavior and Human Performance*, 1985, 34, 294-313.

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Neale, Margaret A., and Bazerman, Max H. OBHDP 1992 51:157-175 Negotiator cognition and rationality: A behavioral decision theory perspective.

Valley, White, Neale, and Bazerman OBHDP 1992 51: 220-236 Agents as information brokers: The effects of information disclosure on negotiated outcomes

White, Valley, Bazerman, Neale, & Peck, Alternative Models of Price Behavior in Dyadic Negotiations: Market Prices, Reservation Prices and Negotiator Goals. OBHDP, 1994, 57, 430-447.

Does Disputing through Agents Enhance Cooperation? Experimental Evidence. (Rachel Croson Robert Mnookin) *Journal of Legal Studies*, Vol XXVI, 1997, pp. 331-345.

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Thompson & Loewenstein OBHDP Egocentric interpretations of fairness and interpersonal conflict

Galinsky, A. D., Mussweiler, T., & Medvec, V. H. (2002). Disconnecting negotiated outcomes and evaluations: The role of negotiator focus. *JSP*

Deadline Effects in Sequential Bargaining - An Experimental Study, *International Game Theory Review*, 7(2), 2005, 117-135 (Guth Levati & Maciejovsky).

Andreoni & Samuelson. Building Rational Cooperation. *Journal of Econ Theory*, 127, 2006, p 117-154.

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Oct 26 Ultimatum and Dictatorship Games

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Kahn, L. M. and Murnighan, J. K. (1993). A general experiment on bargaining in demand games with outside options. *American Economic Review*, 83: 1260-1280.

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