



**Organizers:**

**Rupert Sausgruber (WU Vienna) and Jean-Robert Tyran (U Vienna)**

**Sponsors:**

**FWF**

**University of Vienna**

**Vienna University of Economics and Business**

## **Program**

Location: OMP, Oskar-Morgenstern-Platz 1, 1090 Vienna; „Skylounge“ , 12th floor

### **Thursday, June 5**

13:00 – 13:20

Get together, Coffee

13:20 – 13:30

Opening address

Jean-Robert Tyran

(1)

13:30 – 14:30

Title: Trust and Division of Labor

Presenter: Stephan MEIER

(2)

14:30 – 15:30

Title: Do Markets Erode Social Responsibility?

Presenter: Björn BARTLING

Coffee break 15:30-16:00

(3)

16:00 – 17:00

Title: Peer Effects and Students' Self-Control

Presenter: Lydia MECHTENBERG

Coffee break: 17:00-17:15

(4)

17:15 – 18:15

Title: In Search of the Angry Button

Presenter: Charles NOUSSAIR

Dinner 19:30

Mayer am Pfarrplatz

## **Friday, June 6**

09:00 – 09:30

Get together, Coffee

(5)

09:30 – 10:30

Title: Time Delay and Support for Taxation

Presenter: Erte XIAO

Coffee break 10:30-11:00

(6)

11:00 – 12:00

Title: Complex Tax Incentives

Presenter: Johannes ABELER

Lunch 12:00-15:30

(12.30 Palmenhaus, 14-15 Führung Albertina)

(7)

15:30 – 16:30

Title: Equilibrium Tax Rates and Income Redistribution: A Laboratory Study

Presenter: Marina AGRANOV

Coffee break 16:30-16:45

(8)

16:45 – 17:45

Title: Deception Choice and Audit Design – The Importance of Being Earnest

Presenter: Kai KONRAD

(9)

17:45 – 18:15

Concluding remarks & discussion

Rupert Sausgruber / Jean-Robert Tyran

Dinner 19:30

## **Book of abstracts**

Thursday, 13.30 – 14.30

### **Trust and Division of Labor**

Stephan MEIER

Abstract: Firms exhibit different heterogeneity in size, productivity, and internal structure; for instance, in some firms the division of labor is extensive while in other it is not. While an organization's internal structure is partly determined by its industry structure, we also observe "puzzling" differences in organizational structures even within an industry. We suggest and show experimentally that exogenously imposed culture endogenously leads to different organizational form. We demonstrate that the level of trust within an organization affects that organization's division of labor and consequently that organization's productivity. Our research also makes use of data from the European Social Survey and finds that it is suggestive of a link between trust and the division of labor.

Thursday, 14.30 – 15.30

### **Do Markets Erode Social Responsibility?**

Björn BARTLING, Roberto A. Weber

Abstract: This paper studies socially responsible behavior in markets. We develop a laboratory product market in which low-cost production creates a negative externality for third parties, but where alternative production with higher costs mitigates the externality. Our data reveal a robust and persistent preference among consumers and firms for avoiding negative social impact in the market, reflected both in the composition of product types and in a price premium for socially responsible products. Socially responsible behavior is generally robust to varying market characteristics, such as increased seller competition and limited consumer information, and it responds to costs and prices in a manner consistent with a model in which positive social impact is a utility-enhancing feature of a consumer product. Consumers in markets exhibit slightly less social concern than subjects in comparable individual choice contexts.

Thursday, 16.00 – 17.00

### **Peer Effects and Students' Self-Control**

Berno Buechel, Lydia MECHTENBERG, Julia Petersen

Abstract: We conducted a multi-wave field experiment to study the interaction of peer effects and self-control among undergraduate students. We use a behavioral measure of self-control based on whether students achieve study related goals they have set for themselves.

We find that both self-control and the number of talented friends increase students' performance. We then set out to test the theoretical prediction of Battaglini, Bénabou and Tirole (2005) that (only) sufficiently self-controlled individuals profit from interactions with peers. We find that peers with high self-control are more likely to connect to others, have a higher overall number of friends and have a higher number of talented friends. Moreover, positive news about self-controlled behavior of

their peers increases students' own perseverance. Hence, our findings are consistent with the model of Battaglini, Bénabou and Tirole. In addition, we find that female students are more likely to have high self-control, but do not outperform male students. One reason for this is that female students have a lower number of talented friends than their male counterparts, thereby profiting less from positive peer effects.

**Thursday, 17.15 – 18.15**

**In Search of the Angry Button**

Charles NOUSSAIR

**Abstract:** Society and public policy are characterized by competition for scarce resources. The best possible scenario for an individual facing a challenge is to be able to deter competition without a fight. One means of deterrence, especially for a relatively weak individual who is unlikely to win a fight, is to threaten to destroy the resource in question rather than to surrender it to a potential challenger. An emotional response of anger is an indicator of a willingness to fight. However, for anger to function as an effective deterrent, observers must be able to readily predict in advance who is likely to anger. In the experiment reported here, individuals must predict whether responders, whom they do not know, would reject an unfair offer in an ultimatum game, from pictures and videos. We find that observers can predict significantly better than chance who is the rejecter, using a number of physiological and emotional cues to do so.

**Friday, 9.30 – 10.30**

**Time Delay and Support for Taxation**

Silvia Tiezzi, Erte XIAO

**Abstract:** People often experience the benefits of taxation with time. We design a novel dynamic market experiment with negative externalities to test the hypothesis that delaying the benefits of taxation can lead to low support for taxes. We consistently find that people are less willing to accept Pigouvian taxes, aimed at reducing negative externalities and restoring market efficiency, when the negative externalities are delayed. While people learn to adopt taxation when the negative externality occurs immediately, the resistance to taxation remains robust over time when the externality is delayed. Our data suggest that time discounting alone is not sufficient to explain the strong negative delay effect as it implies an extremely high discount rate. We provide evidence for alternative explanations and discuss the policy implications of our findings for promoting support for taxation.

**Friday, 11:00 – 12:00**

**Complex Tax Incentives**

Johannes ABELER, Simon Jäger

**Abstract:** How does tax complexity affect people's reaction to tax changes? To answer this question, we conduct an experiment in which subjects work for a piece rate and face taxes. One treatment

features a simple, the other a complex tax system. The payoff-maximizing output level and the incentives around this optimum are, however, identical across treatments. We introduce the same sequence of additional taxes in both treatments. Subjects in the complex treatment underreact to new taxes; some ignore new taxes entirely. The underreaction is stronger for subjects with lower cognitive ability. Contrary to predictions from models of rational inattention, subjects are equally likely to ignore large or small incentive changes.

Friday, 15:30 – 16:30

### **Equilibrium Tax Rates and Income Redistribution: A Laboratory Study**

Marina AGRANOV, Thomas R. Palfrey

**Abstract:** This paper reports results from a laboratory experiment that investigates the Meltzer-Richard model of equilibrium tax rates, inequality, and income redistribution. We also extend that model to incorporate social preferences in the form of altruism and inequality aversion. The experiment varies the amount of inequality and the collective choice procedure to determine tax rates. We report four main findings. First, higher wage inequality leads to higher tax rates. The effect is significant and large in magnitude. Second, the average implemented tax rates are almost exactly equal to the theoretical ideal tax rate of the median wage worker. Third, we do not observe any significant differences in labor supply or average implemented tax rates between a direct democracy institution and a representative democracy system where tax rates are determined by candidate competition. Fourth, we observe negligible deviations from labor supply behavior or voting behavior in the directions implied by altruism or inequality aversion.

Friday, 16:45 – 17:45

### **Deception Choice and Audit Design – The Importance of Being Earnest**

Kai KONRAD, Tim Lohse, Salmai Qari

**Abstract:** We study deception choices and deception detection in a tax compliance experiment. We find large systematic differences in individual deception abilities among tax payers. Also, individuals are conscious about their own deception abilities. Further, individuals who rate the tax payers score worse than if they applied pure random mechanisms. Their scores are even worse if they rate tax payers in a treatment in which the fine for underreporters is high. The empirical outcomes are in line with a theory suggesting that tax payers make their choices whether to underreport or report truthfully on the basis of their own deception ability. Tax payers with high deception ability are more likely to underreport, and this selection effect is stronger if the fines for underreporting are higher. These results provide an (additional) reason why random audits are superior to audits based on discretionary choice.

## List of Participants

### Organizers

Rupert Sausgruber (WU Vienna)

Jean-Robert Tyran (U Vienna)

### List of Speakers

Johannes Abeler (Oxford)

Marina Agranov (Caltech)

Björn Bartling (U Zürich)

Kai Konrad (MPI Munich)

Lydia Mechtenberg (U Hamburg)

Stephan Meier (Columbia)

Charles Noussair (Tilburg)

Erte Xiao (Carnegie Mellon U)

### Other participants

Tamas Csermely

Gülsah Ekizer

Georg Kanitsar

Melis Kartal

Bernhard Kittel

Mario Krapfenbauer

Wieland Müller

Owen Powell

Ilona Reindl

Vitold Sanotskyy

Nadine Schmid-Greifeneder

Natalia Shestakova

Florian Spitzer

Thomas Alexander Stephens

Alexander Wagner

Katharina Wick

Adam Zylbersztejn

# Locations

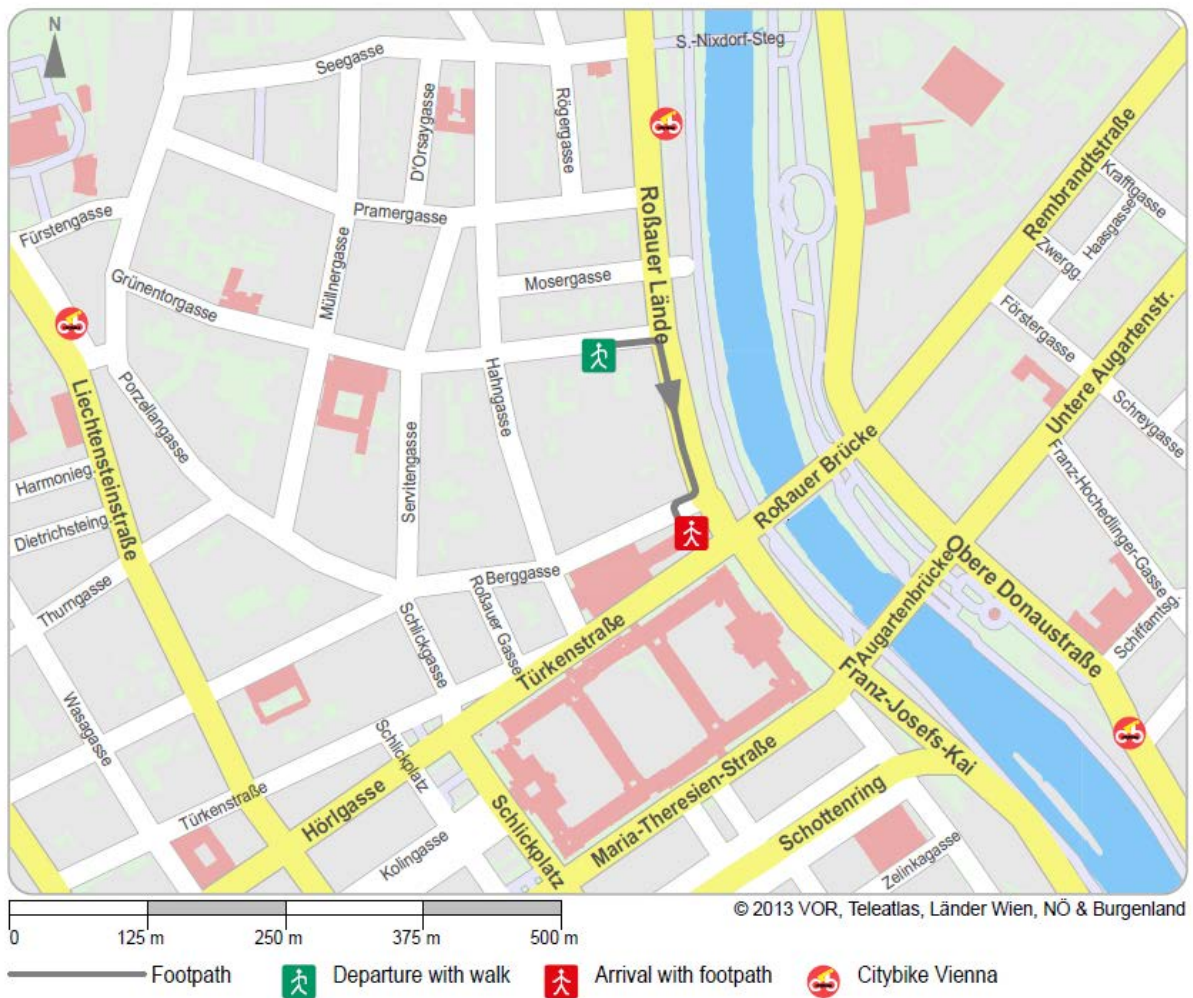
## Workshop location

All presentations will be held at the **Faculty of Business, Economics and Statistics, Oskar-Morgenstern-Platz 1, 1090 Vienna**; in the “Skylounge”, 12<sup>th</sup> floor.



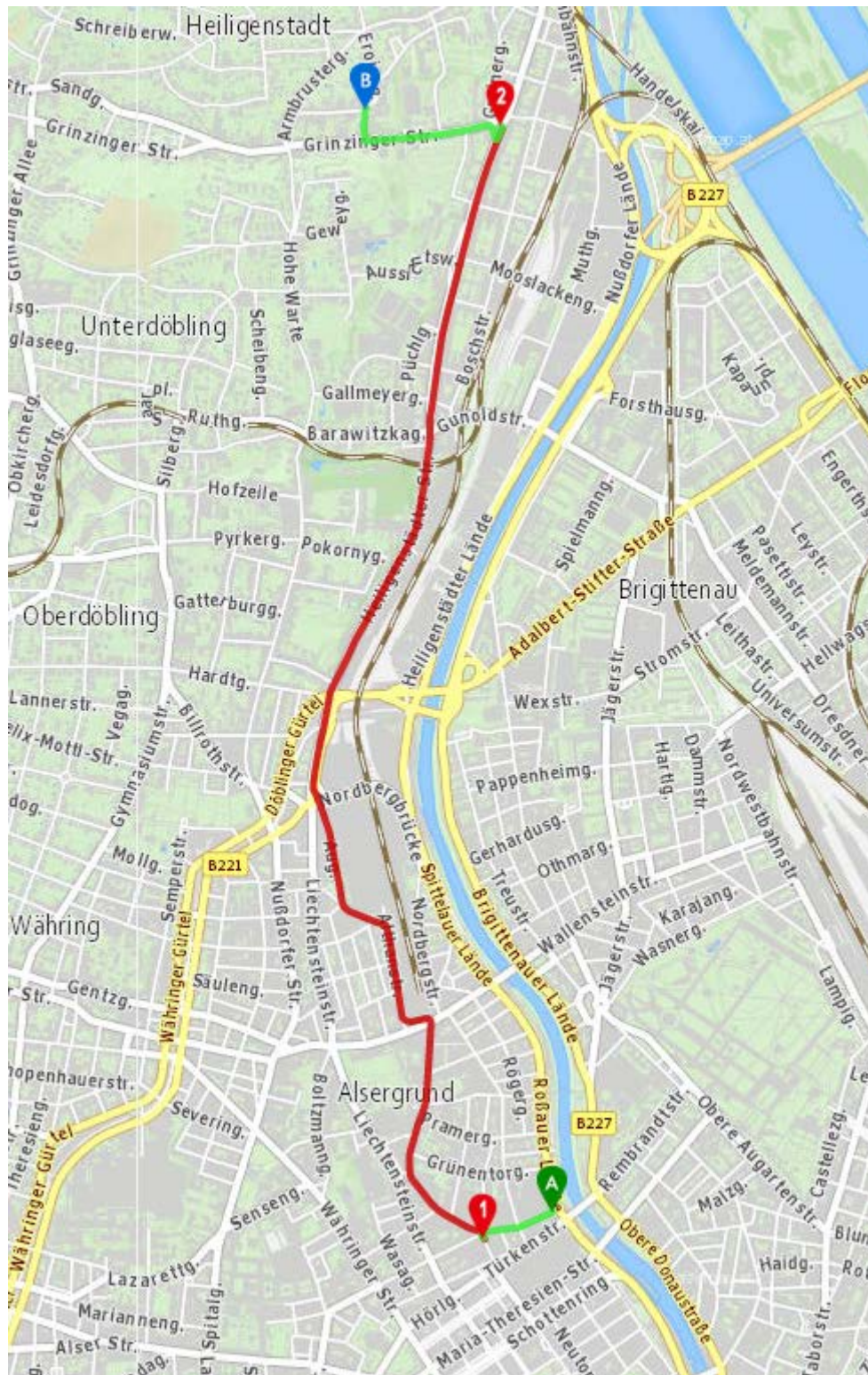






## How to get from Hotel Deutschmeister to the Workshop location



## Dinner 5th June, Heuriger „Mayer am Pfarrplatz“ (Pfarrplatz 2, 1190 Vienna)

From Schlickgasse take Tramway „D“ to Grinzing Straße.

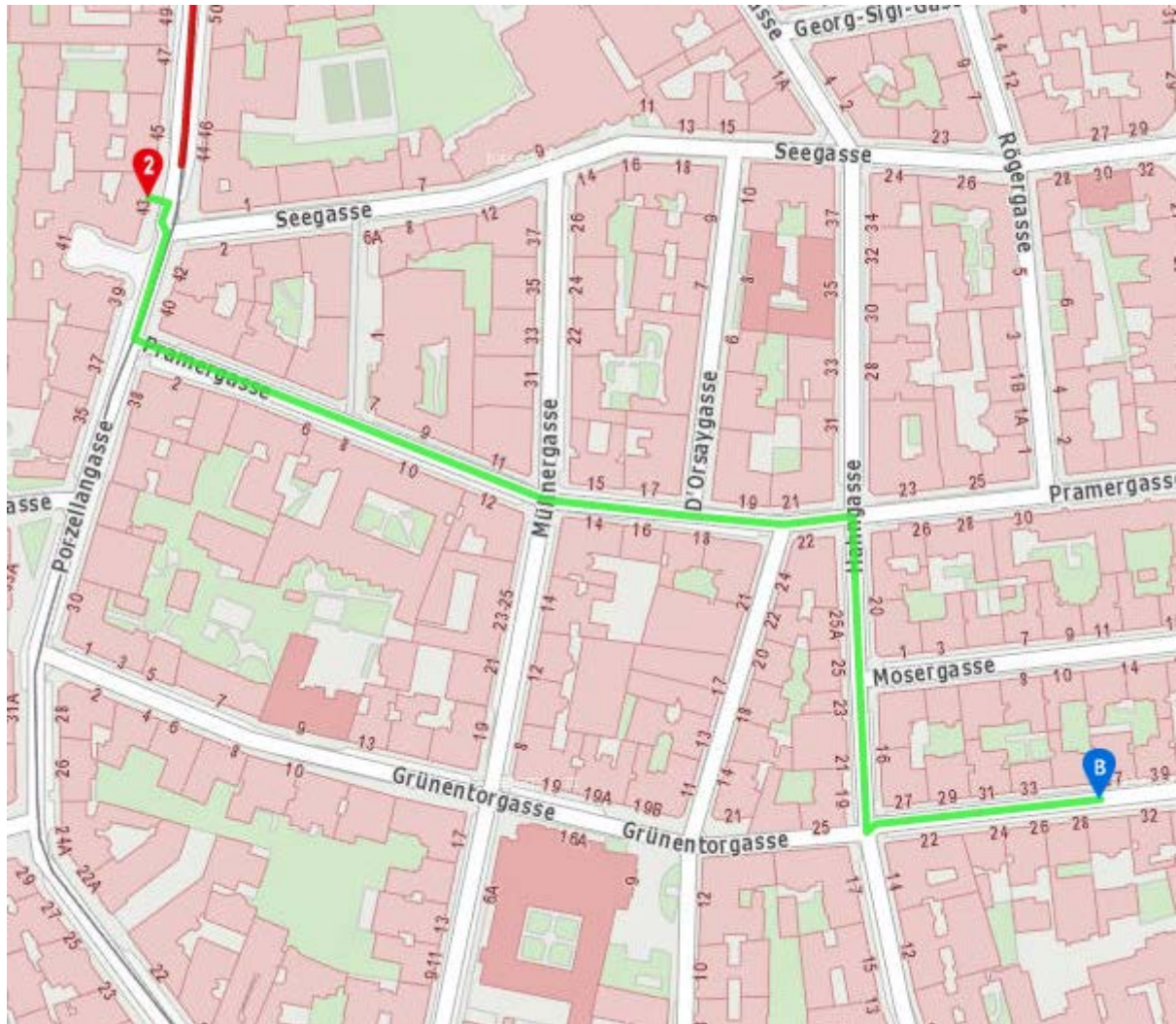


 (Oskar-Morgenstern-Platz 1) --->  (Schlickgasse, Tramway D) --->  (Grinzing Straße) --->   
(Mayer am Pfarrplatz, Pfarrplatz 2)



**Hotel Deutschmeister** is at Grünentorgasse 30, 1090 Vienna

When coming **home from the Heurigen on Thursday** with Tramway „D“, exit at “Seegasse”,  
5' walk.



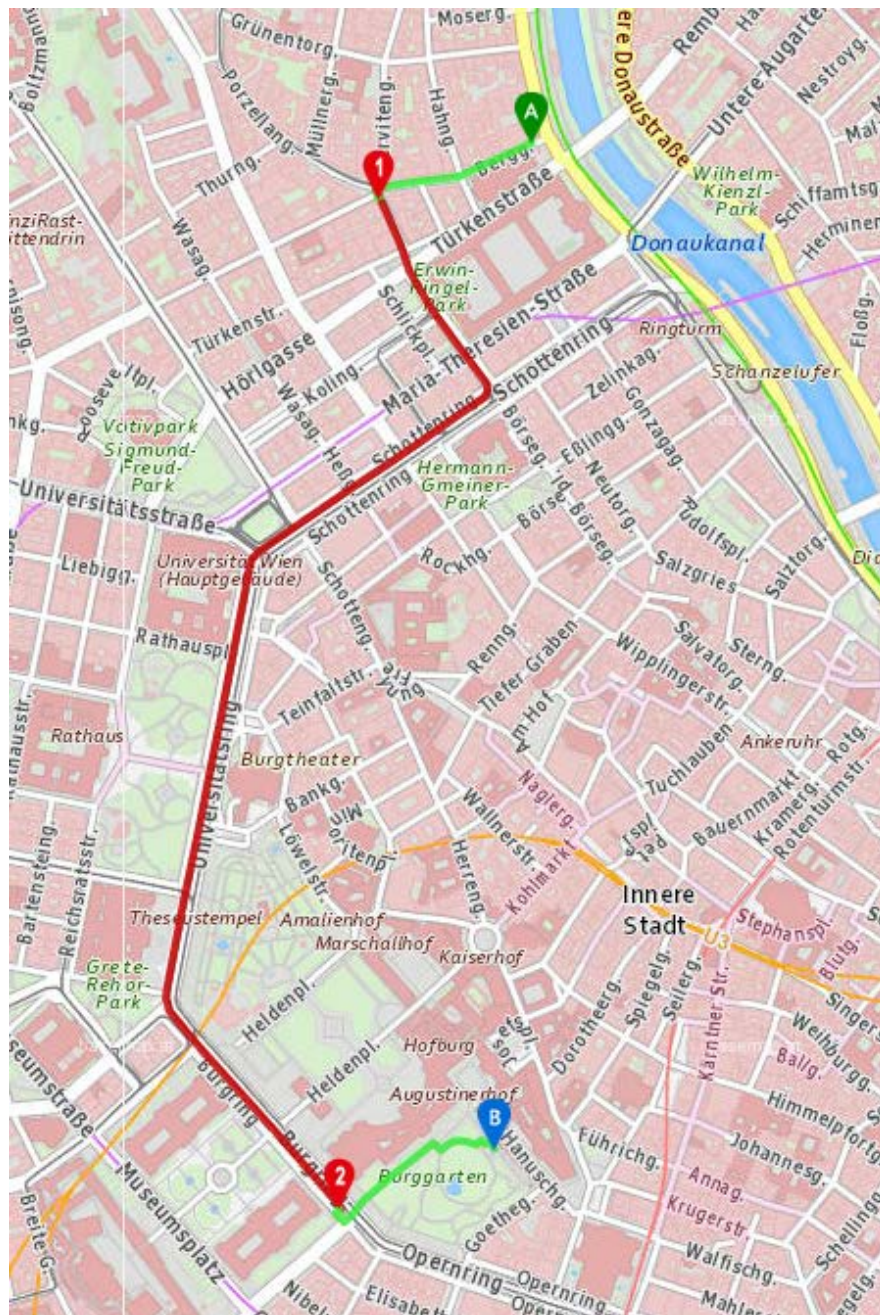
(Seegasse) ----->







(Hotel Deutschmeister)

## Lunch 6th June, Palmenhaus (Burggarten 1, 1010 Vienna)

From Schlickgasse take Tramway “D” (direction “Hauptbahnhof Ost S”) to Burgring.



 (Oskar-Morgenstern-Platz 1) ---->  (Schlickgasse, Tramway D) ---->  (Burgring) ---->  (Palmenhaus)