Chair of Political Economy
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Lying and Cheating in Economic Experiments (Bachelor + Master Seminar)

I. Topic Description

This seminar deals with different reasons why people do or do not engage in morally doubtful activities like lying, cheating and deception and tries to measure their impact in different decision situations.

From a neoclassical economic viewpoint, agents are assumed to strategically use forms of lying, cheating and deception as long as the expected benefits for themselves are higher than the expected costs (e.g. the expected punishment for lying). In this framework, lying itself does not induce (intrinsic) costs for the agent. Behavior is rather judged by its consequences than by moral and psychological aspects. This means, a lie may be even considered as appropriate if it leads to a mutually beneficial outcome for all parties.

However, taking insights from other disciplines into account provides evidence, that many more factors play a role for the question why people do (or do not) lie or cheat. Important here are also psychological aspects and moral/normative considerations. These may lead to both “intrinsic costs” of lying (bad conscience, negative self-image) or “extrinsic costs”, such as negative reputation effects and can explain why in several cases agents refrain from lying, even if this increases their own payoffs.

We will address these questions mostly by the use of economic (lab or field) experiments. Those enable the researcher to set up a specific decision environment allowing to isolate and test certain motives in terms of lying and cheating. Participants are expected to familiarize themselves with the relevant literature (of which an excerpt is provide in the list of references).

In the seminar no specific topics will be handed out. Instead, students will use their own creative abilities to think of an interesting (new) research question in the broad thematic field of lying and cheating. Based on this, you are supposed to develop an experimental design for a lab or a field study, which is suited to test your hypothesis/answer your research question. (*Note:* Carrying out the experiment itself is not part of the seminar.)

Students will work in small groups of up to four persons, depending on the total number of participants. If the process of group formation is unsuccessful, participants can be assigned to a group (or in exceptional cases work as a single person on a topic).

II. Organizational and Procedural Details

The seminar starts with an **introductory (in-person) meeting on Tue, 24th October 2023 at 3pm ("Teamraum A+B", building 01.85, 1st floor)** The meeting is supposed to last for approx. 1-1,5h. In the weeks after students work individually within their research group and receive feedback/support by the seminar instructors. Ideas for experiments or field studies will be presented in **blocked events on Mon, 8th January 2024**. Each presentation should last for approx. 20 minutes. Full attendance in all meetings is required for successful participation in the seminar. Seminar papers of 8 – 10 pages are to be handed in by the end of the semester.

Prior attendance of the courses "Economics and Behavior", "Game Theory" and/or other seminars at the chair is recommended, but not required. For further questions, please contact Dr. Hannes Rau (hannes.rau@kit.edu)

III. Sources of Inspiration

- Balafoutas, L., Beck, A., Kerschbamer, R., & Sutter, M. (2013). What drives taxi drivers? A field experiment on fraud in a market for credence goods. *Review of Economic Studies*, 80(3), 876-891.
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- Dufwenberg, M., Feldman, P., Servátka, M., Tarrasó, J., & Vadovič, R. (2023). Honesty in the City. *Games and Economic Behavior*, 139, 15-25.
- Falk, A., & Szech, N. (2013). Morals and markets. *Science*, *340*(6133), 707-711.
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- Gerlach, P., Teodorescu, K., & Hertwig, R. (2019). The truth about lies: A meta-analysis on dishonest behavior. *Psychological Bulletin*, 145(1), 1.
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- Kagel, J. H. (2020). *The Handbook of Experimental Economics, Volume 2*. Princeton University Press.
- Kajackaite, A., & Gneezy, U. (2017). Incentives and cheating. *Games and Economic Behavior*, 102, 433-444.
- Kerschbamer, R., Neururer, D., & Sutter, M. (2016). Insurance coverage of customers induces dishonesty of sellers in markets for credence goods. *Proceedings of the National Academy of Sciences,* 113(27), 7454-7458.
- Leib, M., Köbis, N., Soraperra, I., Weisel, O., & Shalvi, S. (2021). Collaborative dishonesty: A meta-analytic review. *Psychological Bulletin*, 147(12), 1241
- Rosenbaum, S. M., Billinger, S., & Stieglitz, N. (2014). Let's be honest: A review of experimental evidence of honesty and truth-telling. *Journal of Economic Psychology*, 45, 181-196.