

Markets for Attention and the Digital Economy

I. TOPIC DESCRIPTION

For a long time, researchers studied given markets and mechanisms to predict outcomes, future developments or generally the participants' behavior. In contrast, Market Design uses theory, empirical and experimental work to design markets which incentivize their participants in a way that leads to "desirable" outcomes. In this, the designer can have different objectives, for example: Maximizing efficiency, high-quality information, welfare or minimizing negative externalities.

In Germany, the COVID-Pandemic acted as a catalyst for the slow process of digitalization. Even more so than before, social and professional life shifted online. Now, as countries find themselves in their second or even third public lockdowns, a large part of citizens' life takes place in front of their laptops or PCs. While some more traditional economic sectors suffer greatly from these shut-downs, Digital Markets thrive. The rise of uncountable online platforms and rapidly shifting markets in the Digital World pose new challenges traditional Market Design must address. Some sectors of this Digital Economy exhibit a winner-takes-all structure, resulting in a few giant corporations wielding great influence on the public and on lawmakers (just think about Twitter's central role in recent US-politics). Is this a development we want as a society? How should we design markets and mechanisms in the digital era? What about markets who profit from the attention of consumers, such as social media? And what about inequality?

In this seminar, students take the role of a social planner with the goal to identify possibilities for improvement and/or design contexts in Digital Markets. Research ideas can also look to identify and/or prevent market failures. Topic suggestions include: Privacy, Health Markets, Markets for Attention, Addiction, Fake News, Choice Overload, Information Overload, Censorship, Cybersecurity

II. SCOPE OF THE SEMINAR

Please note that no topics will be handed out. Instead, participants will develop their own research question in the broad field of Digital Market Design. Using their own creative abilities, students design an economic experimental or field study that answers their research question. Students will work in groups of up to four, depending on the total number of participants. If the process of group formation is unsuccessful, participants will be assigned.

The seminar starts with an introductory meeting on April 14. Ideas for experiments or field studies will be presented in a blocked event on May 17. Each presentation should last max. 20 minutes. Full attendance in all meetings is required for successful participation in the seminar.

Group seminar papers of 8 – 10 pages, as well as an individual abstract of 75 to 100 words are to be handed in at the end of the semester.

Application will be possible via the centralized platform until February 1.

Please note that we will ask you for a brief description of the topic and research idea you are interested in, in order to ensure a well-balanced variety in the seminar. Prior attendance of the courses “Economics and Behavior” and/or “Auction and Mechanism Design” is recommended but not required. For further questions, please contact David Huber (david.huber@kit.edu).

III. SOURCES OF INSPIRATION

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- Kerschbamer, R., Neururer, D., & Sutter, M. (2019): Credence goods markets and the informational value of new media: A natural field experiment. *MPI Collective Goods Discussion Paper*, (2019/3).
- Mariotti, T., Schweizer, N., Szech, N., & von Wangenheim, J. (2018). Information nudges and self-control. *Working paper available at polit.econ.kit.edu/Research.php*
- Penczynski, S. P., Zhang, S. (2017): Disclosure of Verifiable Information under Competition: An Experimental Study. *Working Paper, available at penczynski.de*
- Persson, P. (2018). Attention manipulation and information overload. *Behavioural Public Policy*, 2(1), 78-106.
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- Roth, Alvin E., Tayfun Sönmez, M. Utku Ünver (2014): Kidney Exchange, *The Quarterly Journal of Economics*, 119(2), 457–488.
- Sadoff, S., Samek, A. S., & Sprenger, C. (2015): Dynamic inconsistency in food choice: Experimental evidence from a food desert. *Becker Friedman Institute for Research in Economics Working Paper*, (2572821).
- Schudy, S., & Utikal, V. (2017): ‘You must not know about me’—On the willingness to share personal data. *Journal of Economic Behavior & Organization*, 141, 1-13.
- Wambach, A., & Müller, H. C. (2018). Digitaler Wohlstand für alle. *Frankfurt/Main: Campus. (German)*