RESEARCH STATEMENT
ERIC CARDELLA

In a broad sense, my current research focuses on exploring behavioral motivations in strategic decision making. Economic outcomes are shaped by the decisions that agents make, and decisions are shaped by motivations. Hence, the goal of my research is to develop theoretical models and relevant experimental designs aimed at providing valuable insights regarding the existence and impact of behavioral motivations in strategic decision making. Consequently, these insights can be useful in developing models that result in more accurate predictions of strategic decision making and resulting economic outcomes. In gathering such insights, my research often combines methodology from the fields of economics, game theory, psychology, and sociology.

In this research statement, I first provide a summary of my dissertation research. I then discuss other ongoing research projects that are in progress. I conclude by briefly outlining my longer term research plans.

DISSERTATION RESEARCH

The first chapter of my dissertation and job market paper, titled “Strategic Guilt Induction”, explores the interpersonal strategic implications of guilt aversion. The motivation to avoid feeling guilty exhibited by agents has been modeled theoretically (Battigalli and Dufwenberg 2007) and documented experimentally (Dufwenberg and Gneezy 2000; Charness and Dufwenberg 2006; Reuben et al. 2009; and Dufwenberg et al. 2011). However, the guilt aversion of one agent can influence the strategic behavior of other agents, and subsequently the economic outcome, in important ways that have yet to be explored. In certain settings, agents may have an opportunity to influence the behavior of a guilt averse agent by strategically inducing guilt upon that agent. The motivation of this paper is to investigate (i) whether agents exploit the guilt aversion of others by strategically inducing guilt upon them, (ii) whether agents are susceptible to guilt induction, and (iii) whether agents exhibit higher degrees of trust when given an opportunity to induce guilt. In doing so, I develop an experimental design featuring a private information trust game that provides agents with an opportunity to induce guilt in a manner consistent with the psychological insights of Baumeister et al. (1994). Furthermore, I appeal to the Battigalli and Dufwenberg model of simple guilt and derive conditions under which effective guilt induction in the given psychological game can be supported as an equilibrium.

The second chapter, based off the paper “Learning to Make Better Strategic Decisions”, experimentally investigates how an opponent’s decisions affect learning in a strategic game. Specifically, the primary motivation of this paper is to test whether learning-by-doing (LBD) and learning-by-observing (LBO) in strategic settings become more effective when agents face an optimal decision making opponent. As a secondary
motivation, I compare the effectiveness of LBD and LBO in a strategic game, which complements the work of Merlo and Schotter (2003). To shed light on these questions, I consider a novel experimental design where subjects repeated play a 2-player, sequential-move game against pre-programmed computer opponents. The chosen game features a dominant strategy, which serves as an identifiably proxy for optimal decision making and, hence, enables me to measure learning. While the use of pre-programmed computer opponents allows me to explicitly control the decision making quality of an agent’s opponent. The main results suggest that in the strategic game considered, LBD is more effective when agents play against an optimal decision making opponent, and LBD and LBO appear to be comparably effective learning mechanisms. This paper is currently a revise and resubmit at *Journal of Economic Behavior & Organization*.

The third chapter, based off the paper “Why Negotiate a ‘Fair’ Price?”, develops a theoretical model of posted price fairness concerns in negotiations. The model posits that buyers experience disutility from engaging in negotiations with a seller, and aggressively negotiating, when the posted price is perceived to be “fair”. As a result, buyers will negotiate less aggressively when the posted price is perceived to be fair, and buyers who are sensitive enough to posted price fairness may forgo profitable negotiations altogether and simply purchase the good at the posted price. Such predictions are consistent with the empirical evidence documented in Maxwell et al. (1999), Kristensen and Gärling (1997, 2000), and Herrmann (2004).

**Research in Progress**

In addition to my dissertation research, I have two collaborative research papers that are currently in progress. The first, “Stackelberg in the Lab: The Effect of Group Decision Making and Deliberation Periods”, is joint work with Ray Chiu. The Stackelberg duopoly is a fundamental model of sequential output competition. However, the results from previous lab experiments are inconsistent with the Subgame Perfect Equilibrium predictions of the Stackelberg model (Huck, Müller, and Normann 2001; and Huck and Wallace 2002). We hypothesize that these inconsistencies are a result of differences between the decision making environment in the lab and firm environments in the field. In this paper, we experimentally investigate whether group decision making and decision deliberation periods lead to more profit maximizing Stackelberg behavior in the lab. In doing so, we re-test the Stackelberg duopoly in the lab with (i) 2-person decision making groups acting as “firms”, and (2) a 10-minute deliberation period for second moving “firms”.

The second paper, “Using Auctions to Model ‘Go-shop’ Provisions”, is joint with Douglas Fairhurst and Lindsey Nagy. Recently, Go-shop provisions have become more widely implemented in private equity buyouts of public firms as a means for the target public firm to satisfy its Revlon duties (Subramanian 2008; Denton 2008; Jeon 2010). Upon signing an initial purchase agreement with the purchasing firm, a Go-shop clause gives the target firm a pre-determined window of time to “go shop” the market for
higher offers. This paper takes a first step at formally modeling Go-shop provisions. In doing so, we consider a two-stage, sequential common value auction model. We then derive equilibrium bidding functions for the model and explore the resulting welfare effects, relative to the more traditional case of a No-shop provision. Additionally, we investigate comparative statics with respect to several features of the Go-shop provision.

**Longer Term Research Agenda**

My current research is part of an on-going research agenda aimed at deepening our understanding of behavioral influences in a broad range of economic areas including, but not limited to: decision theory, contract theory, negotiation theory, industrial organization, and labor economics. In doing so, I plan on continuing to develop behavioral models, and gather insights from well-designed experiments, both in the lab and the field.

As part of that longer term research agenda, I am currently planning a follow-up study to complement my current research related to strategic guilt induction; Specifically, I plan to further test the effectiveness of guilt induction using a field experiment. I think a natural field setting for such an investigation would be charitable giving. By appropriately manipulating information revelation, I will be able to test whether guilt induction by charities can effectively increase donations.

A second project that I plan on pursuing in the near future relates to pay-what-you-want (PWYW) schemes. These schemes have been studied by Regner and Barria (2009), Gautier and Van der Klaauw (2009), and Gneezy et al. (2010). These studies focus primarily on revenue comparisons between the PWYW scheme and a posted price scheme. I plan on developing a set of field experiments designed at identifying why people pay what they pay under PWYW schemes. Again, through the use of appropriate information manipulation, it is possible to identify whether payment decisions are motivated by social preferences, distributional preferences and/or belief based motivations. This information could be valuable in determining how and when implementing PWYW schemes would be the most profitable.

At this point, it has been well documented via countless experimental studies that emotions, social preferences, and belief based motivations can influence behavior in very important ways. However, what has been much less researched is when these motivations are present, and under what conditions these motivations are the strongest? Thus, I believe there is scope for research which seeks to identify which characteristics of a decision making environment activate these non-selfish motivations and which characteristics cause them to be the strongest. Such insights would be valuable for constructing more general utility models that are portable to a broader range of strategic decision making environments. As part of my future research agenda, I anticipate developing more sophisticated experimental designs, and possibly using neuro-economic methods, which allow these insights to be gleaned, and then incorporate these insights into utility models of social preferences.
CITED PAPERS


