ALFRED-
WEBER-
INSTITUT

Newsletter 09/2024

ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

Upcoming Seminars

Monday, 6.5.2024	**Departmental Seminar**
13.30-14.30	Michael Ungeheuer, Helsinki University
AWI room 00.010	"A Cognitive Foundation for Perceiving Uncertainty"
	(Host: Pascal Kieren)

Wednesday, 8.5.2024	**Internal Seminar**
12.15-13.15	Soham Saaho, Indian Institute of Management Bangalore
AWI room 00.010	"Air Pollution and Time Use"
	(Host: Christiane Schwieren)

Abstracts

Departmental Seminar

Michael Ungeheuer

"A Cognitive Foundation for Perceiving Uncertainty"*

We propose a framework where perceptions of uncertainty are driven by the interaction between cognitive constraints and the way that people learn about it—whether information is presented sequentially or simultaneously. People can learn about uncertainty by observing the distribution of outcomes all at once (e.g., seeing a stock return distribution) or sampling outcomes from the relevant distribution sequentially (e.g., experiencing a series of stock returns). Limited attention leads to the overweighting of unlikely but salient events—the dominant force when learning from simultaneous information—whereas imperfect recall leads to the underweighting of such events— the dominant force when learning sequentially. A series of studies show that, when learning from simultaneous information, people are overoptimistic about and are attracted to assets that mostly underperform, but sporadically exhibit large outperformance. However, they overwhelmingly select more consistently outperforming assets when learning the same information sequentially, and this is

reflected in beliefs. The entire 40-percentage point preference reversal appears to be driven by limited attention and memory; manipulating these factors completely eliminates the effect of the learning environment on choices and beliefs, and can even reverse it.

*with J. Aislinn Bohren, Josh Hascher, Alex Imas, and Martin Weber

Internal Seminar

Soham Saaho

"Air Pollution and Time Use"*

We investigate how air pollution impacts outdoor activity avoidance in India, leveraging changes in local wind direction in an instrumental variable setup for causal identification. Our findings reveal a significant reduction in time spent outdoors during polluted days, mainly driven by decreased engagement in employment-related activities at the intensive margin. This effect is more prominent among individuals engaged in self-employment and casual wage labor, implying substantial pecuniary costs. Our analysis suggests visually perceptible changes in air quality as a potential mechanism behind the effect, and our results remain robust under various sensitivity tests. Moreover, we find that reduced outdoor time due to air pollution can potentially promote a more equitable allocation of unpaid domestic/caregiving responsibilities within households via increased male involvement.

*with Jafar Jafarov, Soham Sahoo, and Tejendra P. Singh

Talks and Research Visits

Theodoros Alysadrathos presented "'Identify the Expert': An Experimental Study in Economic Advice" at the Webinar Series on Credence Goods and Expert Markets (University of Innsbruck and Stony Brook University), April 11 and at the *University of Nottingham* Business School, February 8.

New Publications

Timo Goeschl & Alice Soldà (2024): (Un)Trustworthy Pledges and Cooperation in Social Dilemmas. Accepted in the *Journal of Economic Behavior and Organization*.

Theodoros Alysadrathos: "Reputation vs Selection Effects in Markets with Informational Asymmetries" has been conditionally accepted to the *Review of Economics and Statistics*.

Miscellaneous

Fondation Lombard Odier Prize for Academic Excellence in Philanthropy

Congratulations to Sina Sauer, doctoral researcher at the professorship for Behavioral Finance, and her coauthors Simone Bartalucci, Antonia Muhr, and Volker Then, for receiving the *Fondation Lombard Odier Prize for Academic Excellence in Philanthropy 2024* in the category "AI for Philanthropy". The prize was awarded for their paper "AI-Enhanced Impact Measurement in Philanthropy." A crucial step towards effectively managing philanthropic projects is to measure their impact, meaning the positive and negative outcomes a project achieves. Their paper outlines generic steps for developing such an impact measurement model, and explains how artificial intelligence can facilitate this process. The paper is forthcoming in the Routledge Handbook of Artificial Intelligence and Philanthropy.

Editorial deadline for issue 10/2024 of the newsletter:
Wednesday, May 8, 2024, 12 p.m.
newsletter@awi.uni-heidelberg.de