Upcoming Seminars

Monday, 14.07.2025	**Departmental Seminar**
13.30-14.30	Agnieszka Tymula, Sydney
AWI room 00.010	" Optimal Utility: Endogenizing the Cardinal Representation of Riskless Subjective Value in Cognitively Constrained Chooser "
	(Host: Stefan Trautmann)

Wednesday, 16.07.2025	**Internal Seminar**
12.15-13.15	Patrick Wolfgang Schmidt
AWI room 00.010	" Testing rational expectations in probabilistic surveys "

Departmental Seminar

Agnieszka Tymula

" Optimal Utility: Endogenizing the Cardinal Representation of Riskless Subjective Value in Cognitively Constrained Chooser " *

We investigate the optimal representation of cardinal utility in a cognitively-constrained chooser whose goal is to maximize earnings. We show that the optimal utility depends on the a priori reward distribution and the level of noise in the nervous system's encoding process. We quantify the monetary gains and biological costs of relaxing the resource constraint in the brain to calculate the optimal level of noise in the representation of value, thus endogenizing both the utility function and the noise term. Our framework links environmental conditions, neural efficiency, and utility. We discuss implications for choice theory, experimental evidence, and policy.

* Joint work with Paul W. Glimcher, and Shreya Sinha.

Internal Seminar

Patrick Wolfgang Schmidt

" Testing rational expectations in probabilistic surveys "

Standard rationality tests for probabilistic surveys use the mean of the distribution, disregarding any additional information, such as uncertainty. I generalize Mincer-Zarnowitz regressions to evaluate the entire subjective probability distribution. Compared to standard rationality tests for probabilistic expectations, this allows for quantifying deviations from rationality and estimating the size of the information set. Common survey expectations only partially identify the underlying probability measure. To accommodate inference without shape restrictions, I derive bounds for the generalized forecast error. I apply the generalized Mincer-Zarnowitz regressions in a wide range of scenarios, including professional forecasters, consumer surveys, a low-income setting, and experimental data with a student population. Mean forecasts deviate strongly from rational expectations under point-identifying assumptions, but no evidence against rationality remains without shape restrictions. In contrast, the spread of subjective distributions indicates overconfidence even when inference accounts for partial identification. This points to a fundamental difference in expectation formation between uncertainty and point beliefs.

Anca Balietti presented the paper "Zero-sum Thinking and Preferences for Redistribution across Borders," joint work with Diego Marino-Fages at the *Behavioral Workshop* in Ulm, 04.07.2025.

Jürgen Eichberger and Ani Guerdjikova (University of Grenoble-Alpes) organised the Workshop "Unforeseen Contingencies: Representations and Applications" in context of *the Franco-German research project DATA-AWARE* (FRAL DATA-AWARE), on June 5-6, 2025 at the *University of Grenoble-Alpes*, where they jointly presented the paper "Data-based decision making under uncertainty"; (https://sites.google.com/site/aniguerdjikova/workshop-on-unforeseen-contingencies)

He also attended the conference "Risk, Uncertainty and Decision 2025 Conference (RUD2025)" in Manchester (UK), 17-19 June 2025, as a member of *the RUD Scientific Committee.* (https://sites.google.com/site/rudconference/main)

The paper "Value of Partial Information" by Jürgen Eichberger and Illia Pasichnichenko (University of Sussex, UK) was presented at *the conference Decision: Theory, Experiments, and Applications (D-TEA 2025)* on June 12-14 at *the Paris School of Economics*.(https://www.hec.edu/fr/faculte-et-recherche/evenements/d-tea-2025)

Miscellaneous

Pauline is a research fellow at the Chair of Public Administration and Public Policy at Zeppelin University. She is staying at the AWI for 3 weeks. In her dissertation project, which she began in October 2023, she investigates foreign aid interventions in fragile and unstable contexts. Her research focuses, among other things, on how coups d'état influence aid allocation decisions by bilateral and multilateral donors, as well as on how foreign aid affects conflict dynamics in recipient states. To address these questions, she employs novel disaggregated data and experimental research designs. Before her research stay at Heidelberg University, Pauline was a visiting researcher at Stockholm University (Prof. Lisa Dellmuth) and served as a Young Fellow at the German Council on Foreign Relations (DGAP).