

(Bachelor- und Master-Seminar) Verhaltensökonomik:

Why obey the law? –

Norms, rules and laws: Real world, theory and behavioral experiments

Sehr geehrte TeilnehmertiInnen,

bitte bewerben Sie sich per E-Mail (lilia.zhurakhovska@fau.de) in folgender Weise auf das Seminar: wählen Sie 3 Themen aus und geben Sie eine Präferenz-Liste an (Favorit; Zweiter Platz; Dritter Platz). Unten finden Sie sämtliche Informationen zu dem Themen (und den Terminen). Bitte fügen Sie zu der Themen-Liste noch relevante Informationen (z.B. Immatrikulationsnummer, Studienfach, Semester, etc.) bei. Es wird pro Thema maximal ein(e) TeilnehmerIn angenommen – daher lohnt es sich, sich frühzeitig zu bewerben. Wir werden Ihnen, sobald wie möglich, eine Mail mit dem Ihnen zugeordneten Thema senden. Sobald Sie auf diese Mail eine Bestätigungs-Mail an uns wieder zurück gesendet haben, gelten Sie als offiziell angemeldet (und können sich auch nicht mehr abmelden – ein Nicht-Erscheinen oder sonstiges nicht erfüllen der Leistungen wird als „Durchgefallen“ gewertet).

Das Seminar findet auf Englisch statt und es sind sowohl Master- als auch Bachelor-Studenten/Innen zugelassen. Bei weiteren Fragen wenden Sie sich bitte an: lilia.zhurakhovska@fau.de (für konkrete Fragen zu den Themen 1-4 bitte in Englisch an armenak.antinyan@fau.de und für konkrete Fragen zu den Themen 5-8 bitte in Englisch an lorenzo.valmasoni@fau.de).

Topics:

- 1. Taxes (general insight)**
 - 2. Taxes and Morals**
 - 3. Taxes and Peers**
 - 4. Institutions and Compliance of Norms**
 - 5. Corruption (general insight)**
 - 6. Corruption, government and cultural factors**
 - 7. Corruption and sport**
 - 8. Discrimination**
 - 9. Fairness theories (in general) – rather as topic for Master-Students**
 - 10. Neuroeconomic analysis of fairness behavior – rather as topic for Master-Students**
 - 11. Honesty & Deception**
 - 12. Why people obey the law: is it deterrence, lack of self-control or legitimacy?**
 - 13. “Wild-Card” – that is not a specific topic – if you have a good idea, which fits the topic and can convince me that it’s worth, writing a seminar paper about it, I might give you the 13th slot in the seminar.**
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Agenda:

- Meeting to present the agenda (in the beginning of next term – concrete date will be announced)
 - Write paper until Christmas (In the paper one needs to relate real world, theory and behavioral experiments: 10-12 pages)
 - Beginning of January we rate the papers and give them feedback – each student should make an appointment to talk with us a few days after receiving the grade for the paper – students have the possibility to increase the quality of their paper within a week after we give them the feedback. If they do, the grade might go up by one step (e.g. from 2.0 to 1.7)
 - Beginning of February we go away for 2 days: presentations of own work (30 minutes) & small refereeing presentation over one related topic (10 minutes) (students will be told by us, which paper they should referee)
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Grading:

- Paper: 47%
 - Presentation of own work: 40%
 - Refereeing of other paper: 7%
 - Participation in general discussion: 6%
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The topics in detail (there might be an update of the suggested literature):

1. Taxes (general insight)

General insight into tax evasion literature. What is tax evasion? Why do people evade taxes? What is the underlying theoretical discussion of tax evasion decision? Does the theory match with empirical observations? Can experimental studies reveal anything about tax evasion? What are the parameters that affect that tax evasion decision of an individual?

Alm, J. (2012). Measuring, explaining and controlling tax evasion: lessons from theory, experiments and field studies, *International Tax and Public Finance*, 19, 54-77

Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax Compliance. *Journal of Economic Literature*, 36, 818-860

Fonseca, M., & Myles G., A Survey of Experiments on Tax Compliance

Sandmo, A. (2005). The Theory of Tax Evasion: A Retrospective View, *National Tax Journal*, LVIII, 643-663

2. Taxes and Morals

Section 2 discusses tax morale, i.e. the intrinsic motivation of an individual to pay taxes. One of the main focuses is how the democratic institutions and their legitimacy affect the intrinsic motivation of the individual to pay taxes?

Torgler, B. (2003). To evade taxes or not to evade: that is the question. *Journal of Socio-Economics*, 32, 283-302

Torgler, B. (2005). Tax Morale and Direct Democracy, *European Journal of Political Economy*, 21, 525-531

Torgler, B., & Frey, B. (2007). Tax morale and condition cooperation. *Journal of Comparative Economics*, 35, 136-159

Torgler, B. (2005). Tax morale in Latin America. *Public Choice*, 122, 133-157

3. Taxes and Peers

Is there any connection between individual's tax compliance decision and that of his/her peers? In particular, will an individual comply more if he/she knows that people around her are regularly paying taxes? Will an individual evade if his/her peers evade? Is there emotional aspect of being detected on cheating on taxes?

Baldry, J.C. (1986). Tax Evasion is not a Gamble. *Economics Letters*, 22, 333-335

Bazart, C., & Bonein, A. (2013). Reciprocal Relationships in Tax Compliance Decisions, *Journal of Economic Psychology*

Coricelli G., Joffily, M., Montmarquette, C. & Vilelval, M. (2010) Cheating, emotions and rationality: an experiment on tax evasion

Fortin, B., Lacroix, G., & Villeval, M., Tax Evasion and Social Interactions, *Journal of Public Economics*, 91, 2089-2112

4. Institutions and Compliance of Norms

How institutions shape our behavior? Do we have an ex-ante predefined behavior towards a person or a phenomenon, or do we change our behavior depending on circumstances? Is there an evil criminal sitting in us, ready to unfold himself if necessary, or are many of us born as “innocent angels” from the very beginning?

A short documentary on Stanford Prison Experiment:

<http://www.youtube.com/watch?v=760lwYmpXbc>

The web-page of the Stanford Prison Experiment with questions one can discuss:

<http://www.prisonexp.org/discussion.htm>

Stanley, M. (1963). *The Journal of Abnormal and Social Psychology*, 67(4), 371-378

Zimbardo, Ph. (2007). Revisiting the Stanford Prison Experiment: A Lesson in the power of Situation. *The Chronicle Review*, 53, 1-5

5. Corruption (general insight)

Understanding the determinants of corruption, e.g. religious tradition, degree of development and government system and the determinants of individual corruptibility, such as the reciprocal relationship between briber and bribee. Analyzing possible deterrents such as increasing probability of audit or fostering intrinsic motivation for honesty.

Abbink, K. (2006). 14 Laboratory experiments on corruption. *International handbook on the economics of corruption*, 418.

Olken, B. A. (2005). Monitoring corruption: Evidence from a field experiment in Indonesia (No. w11753). National Bureau of Economic Research.

Schulze, G. G., & Frank, B. (2003). Deterrence versus intrinsic motivation: Experimental evidence on the determinants of corruptibility. *Economics of Governance*, 4(2), 143-160.

Treisman, D. (2000). The causes of corruption: a cross-national study. *Journal of public economics*, 76(3), 399-457.

6. Corruption, government and cultural factors

Understanding how structure of government institutions, the bureaucratic efficiency and political stability affect the level of corruption and how corruption affects the composition of government expenditure. Most studies present a cross cultural analysis.

Cameron, L., Chaudhuri, A., Erkal, N., & Gangadharan, L. (2009). Propensities to engage in and punish corrupt behavior: Experimental evidence from Australia, India, Indonesia and Singapore. *Journal of Public Economics*, 93(7), 843-851.

Mauro, P. (1995). Corruption and growth. *The quarterly journal of economics*, 110(3), 681-712.

Mauro, P. (1998). Corruption and the composition of government expenditure. *Journal of Public economics*, 69(2), 263-279.

Shleifer, A., & Vishny, R. W. (1993). Corruption. *The Quarterly Journal of Economics*, 108(3), 599-617.

7. Corruption and sport

Analyzing cases of corruption in sports. For instance, some players receive money in order to influence the outcome of matches (fix), or make use of doping. Aspects that might influence to this corrupted behavior are discussed. Moreover, the literature presents empirical evidence and possible solutions, such as the increase in probability of detection of a fix and the expected costs of doping.

Borghesi, R. (2008). Widespread corruption in sports gambling: Fact or fiction?. *Southern Economic Journal*, 1063-1069.

Forrest, D., & Simmons, R. (2003). Sport and gambling. *Oxford Review of Economic Policy*, 19(4), 598-611.

Maennig, W. (2002). On the economics of doping and corruption in international sports. *Journal of Sports Economics*, 3(1), 61-89.

Wolfers, J. (2006). Point shaving: Corruption in NCAA basketball. *The American economic review*, 96(2), 279-283.

8. Discrimination

Analyzing the different types of discrimination - statistical and taste based discrimination - and how they might disadvantage certain categories, e.g. in the labor market and in the mortgage market. Econometric and experimental approaches to investigate discrimination are included.

Arrow, K. J. (1998). What has economics to say about racial discrimination?. *The Journal of Economic Perspectives*, 12(2), 91-100.

Bertrand, M., & Mullainathan, S. (2003). Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination (No. w9873). National Bureau of Economic Research.

Fershtman, C., & Gneezy, U. (2001). Discrimination in a segmented society: An experimental approach. *The Quarterly Journal of Economics*, 116(1), 351-377.

Ladd, H. F. (1998). Evidence on discrimination in mortgage lending. *Journal of Economic Perspectives*, 12, 41-62.

9. Fairness:

What means fairness? What forms of fairness do there exist (reciprocity, inequality aversion, etc.). Please find a way, to relate the theories to each other and to real-world situations (you do not need to understand the exact formality of the theories, but you should show that you understand what the models state).

Fehr, E. & Schmidt, K. (1999) A theory of fairness, competition and cooperation, Quarterly Journal of Economics, 114, 817–868

Falk, A. & Fischbacher, U. (2006). A theory of reciprocity, Games and Economic Behavior 54 (2): 293–315.

Konow, J. (2003). Which Is the Fairest One of All? A Positive Analysis of Justice Theories, Journal of Economic Literature, 41(4), 1188-1239(52)

Rabin, M. (1993). Incorporating Fairness into Game Theory and Economics, The American Economic Review 83, 1281-1302

10. Neuroeconomic analysis of fairness behavior:

Please try to understand the papers, which test with methods from neuroeconomics, why people act in a fair way, how fair they actually act and about which fairness norms they care. You do not need to understand the medical indicators in detail, but please relate the conclusion of papers to each other. Also, please write, in which areas these findings can be useful (e.g. marketing, bargaining, etc.).

de Quervain, D. J.-F., Fischbacher, U., Treyer, V., Schellhammer, M., Schnyder, U., Buck, A., Fehr, E. (2004). The Neural Basis of Altruistic Punishment, Science 305, 1254-1258

Knoch, D., Pascual-Leone, A., Treyer, V., Fehr, E. (2006). ‘Diminishing reciprocal fairness by disrupting right prefrontal cortex’, Science 314 (2006): 829-832.

Sanfey, A. G., Rilling, J. K., Aronson, J. A. Nystrom, L. E., Cohen, J. D. (2003). The Neural Basis of Economic Decision-Making in the Ultimatum Game, Science 300 (5626), 1755-1758

Spitzer, M., Fischbacher, U., Herrnberger, B., Groen, G., Fehr, E. (2007) The Neural Signature of Social Norm Compliance, Neuron 56, 185–196

11. Honesty and Deception

There is currently a special issue of the Journal of Economic Behavior in press on the topic about honesty and deception. The papers vary between pure theory and experimental evidence. The papers are typically very short. Please find (at least) 5 papers, you can relate to each other. Than please write a literature review and find your own conclusion.

12. Why people obey the law: is it deterrence, lack of self-control or legitimacy?

There is three main theories, why people obey the law? The most famous and most classical economical approach is by Gary S. Becker (1974); on the contrary Gottfredson & Hirschi (1990) suggest that it is rather a question of personality and that people break norms due to a lack of self-control; a very interesting study by Tyler explains the complains of norms with legitimacy. Please relate these theories to each other and if possible, find empirical studies, which either test all these approaches or at least one. You are welcome to present studies, which are concerning cross-cultural comparisons.

Becker, G. S. (1974). *Essays in the Economics of Crime and Punishment*

Gottfredson, M. R., & Hirschi, T. (1990). *A general theory of crime*. Stanford, CA: Stanford University Press.

Tyler, T. R. (1990). *Why people obey the law*. New Haven / London: Yale University Press.

13. “Wild-Card”