

Research Statement

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My main research interest is behavioral and experimental economics. In particular, my work has focused on how individual characteristics affect the way people solve problems and make decisions. A central emphasis of my research is to bridge economics and psychology, looking at how certain mental rules of thumb, cognitive bias, individual differences, and interpersonal relationships lead to individual judgments and decisions that will deviate from theoretical, optimal decisions.

My job market paper is *The Role of Risk Aversion and Cautiousness in Belief Formation*. From the literature, many past studies on the coordination game have examined how institutional changes impact the outcomes of the games, but have ignored the importance of subjective belief and the role of individual characteristics. In this study, I argue that to fully understand the decision-making mechanism, it is essential to investigate how individual differences in risk preference influence the decision-maker's subjective belief.

In my job market paper, I demonstrate that in a coordination game, a decision-maker's subjective belief is determined by her risk preference. I conducted a laboratory experiment where the participants played a repeated, fixed-partner stag-hunt game. In the experiment, I elicited the participants' subjective belief, risk aversion and cautiousness level. While the traditional measure of risk aversion in economics cannot explain people's behavior just as past studies suggested, I find that the psychological concept of cautiousness plays a key role in determining the origin and the evolution of the decision-maker's belief. Specifically, I find that cautiousness affects the way people form the mental representation of their partners. A decision-maker with higher cautiousness level is less likely to believe that her partner will choose the risky option. When the stag-hunt game was played repeatedly, high cautiousness level prevents the decision-maker from updating her belief effectively, and consequently impedes cooperation between the players.

During the progress of developing my dissertation, I have realized that well-designed experiments are critical to behavioral economics and decision-making research. As an effort to advance our knowledge on experimental methodology, I conduct the research *A Cognitive Dissonance Interpretation of the Context Effect in Economic Experiments: Evidence from a Laboratory Bribery Game*. In this paper, I look at how the interaction between individual real-life experience and the experimental framing affects people's decisions. Specifically, I carried out a laboratory experiment using the paradigm of a bribery game. The same experimental task was presented to the student subjects with three different instructions: one

with real-life-context instruction, one with unfamiliar-context instruction, and the other with context-free instruction. I find that corrupt activities are substantially less when the experimental instruction was presented in a context that is close to the subjects' real-life. Moreover, in the unfamiliar-context treatment and the context-free treatment, I do not find essential differences in the subjects' behavior. Integrate results obtained from a separate attitude survey, I propose that a context that is closely related to the subjects' real life experience amplifies the cognitive dissonance evoked by engaging in dishonest practices, prevents them from behaving unethically.

In addition to the above studies, I also try to apply the insights gathered from the laboratory experiments and psychology literature to investigate important issues in labor economics. In the paper *The Premium for being a Nice Person: Agreeableness and the Gender Wage Gap*, I use individual difference in *agreeableness* to explain the gender wage gap among recent graduates in China. Past studies suggested that agreeableness negatively correlates with income, as people who are decent and friendly tend to be outmaneuvered or overwhelmed by others who are not. Yet in the current paper, I find the opposite relationship by looking at people's starting salaries. In general more agreeable person can get higher starting salaries. This effect is independent from one's occupation. In addition, I find that agreeable men receive more benefits than agreeable women. Such difference can partially explain the gender wage gap among the recent graduates. I conjecture that the employers' preference in the job-seekers may results in these observed phenomena. The findings of this study provide insights that can help economists better understand the gender wage gap and the search-and-matching mechanism on the labor market.

Besides my dissertation, I also have devoted research efforts to the effect of overconfidence, the study of corruption economics, the explanation of individual risk preferences, and the cross-cultural study of the lexical-approach in psychometrics. Since March 2015, I have initiated a long-term research program with scholars from the United States, Canada and China. We will conduct a series of experiments in colleges from diverse cultures. We try to explore how individual characteristics and institutional factors jointly determine people's decisions both in the laboratory environment and in their real life. I expect to collaborate with new colleagues to grow this program in the next five years. In my future career, I will look for potential opportunities to engage myself into the study of neuroeconomics. I am truly engaged by these appealing research questions, as I see an apparent lack of the firm resolution of so many philosophical inquiries as a fascinating rationale for further examination and continued analysis.