

The Financial Crises of the 21st Century

Workshop of the Austrian Research Association
(Österreichische Forschungsgemeinschaft)

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Economic Attitudes in Financial Crises: The Democratic Challenge

*Raymond Duch, Official Fellow & Director of
Centre for Experimental Social Sciences
Nuffield College Oxford
raymond.duch@nuffield.ox.ac.uk*

Figure: Change in Gap between Bottom and Top Decile Income Growth

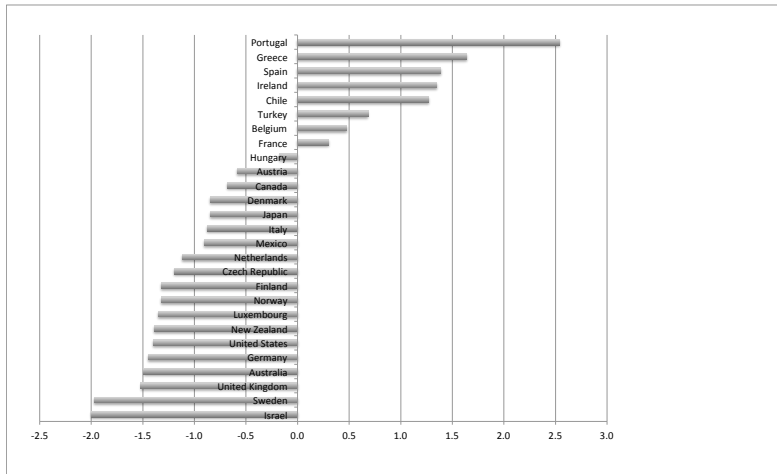
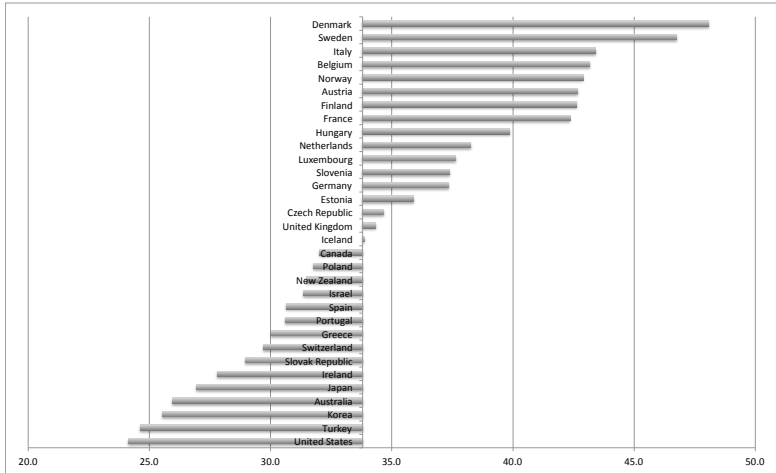


Figure: Total Tax Revenue as Percent of GDP



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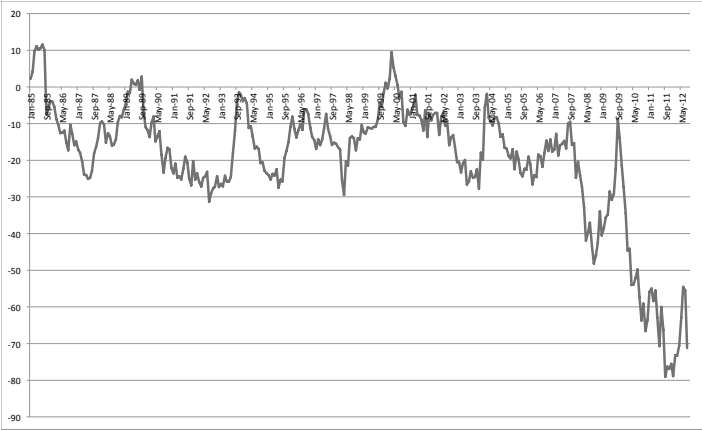


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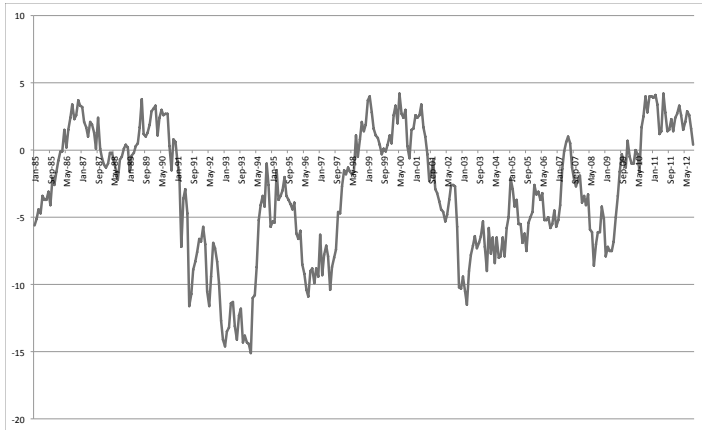
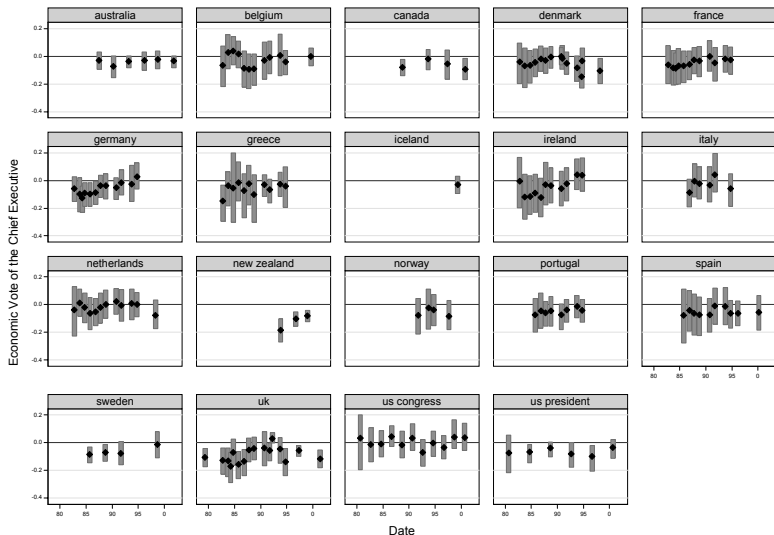
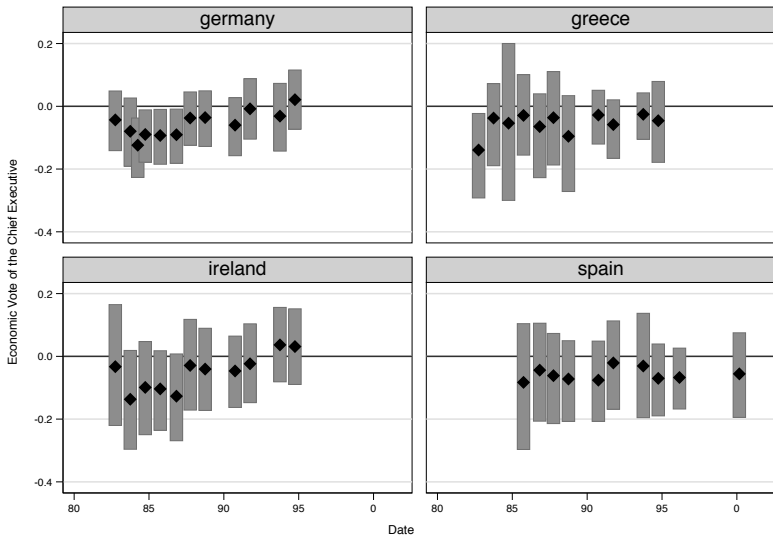


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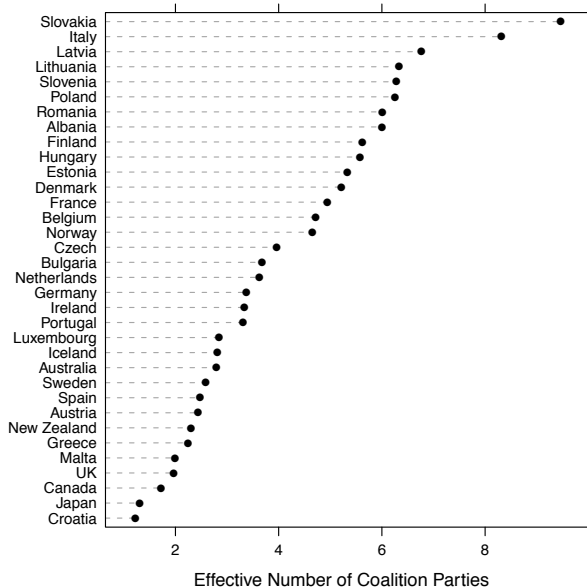
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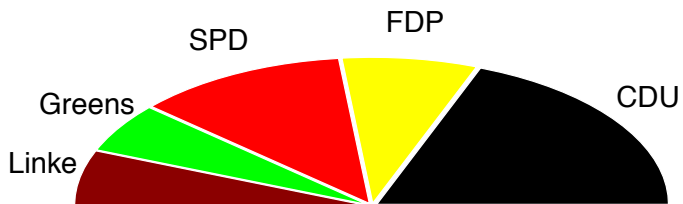
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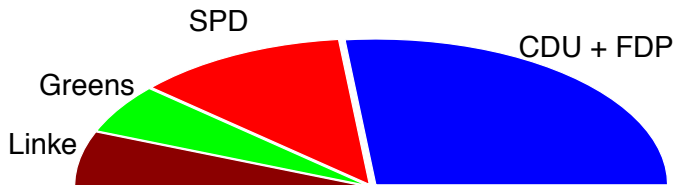
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Collective Dictator Game with Punishment

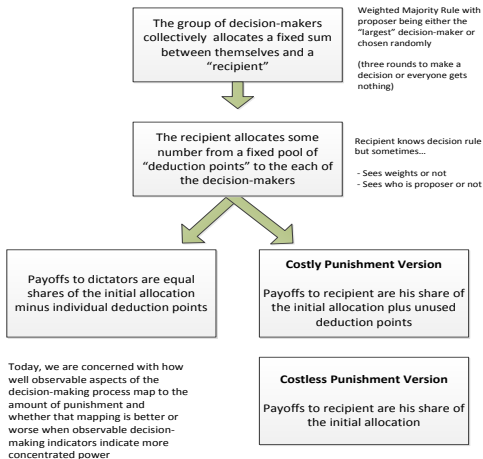


Table: Experimental Design (Session 2 - 4)

<i>n</i> = 71	Allocating DM Known	
Voting Weight Distribution	No	Yes
53, 29, 10, 6, 2	6	9
48, 19, 14, 11, 8	6	9
38, 21, 17, 13, 11	6	9
23, 21, 20, 19, 17	6	9

CONSIDER ATTENTIVELY

In this period, you are a
decision-maker

The distribution of votes in this period is
known to every participant

The voting weights in this period are
42, 28, 15, 10, 5

You have been assigned a voting weight of
42

There are 6 participants in this experiment. Please, make an allocation of £6. If your allocation receives at least 51 votes, the allocated amounts will be split equally among the members of each group.

decision-makers get:

recipients get:

The decision-maker with the most votes has proposed the following allocation:

decision-makers get: £5 (£1.00 per decision-maker)

recipients get: £1 (£1.00 per recipient)

You can now decide whether or not to approve this allocation. Your decision will be given a weight of **5 votes**. The distribution of votes in this period is **42, 28, 15, 10, 5**, and is **known** to the recipients.

If the allocation receives at least 51 votes, it will come into effect. Otherwise, the decision-maker with the most votes can propose a new allocation.

APPROVE

NOT APPROVE

The decision-maker with the most votes has proposed the following allocation:

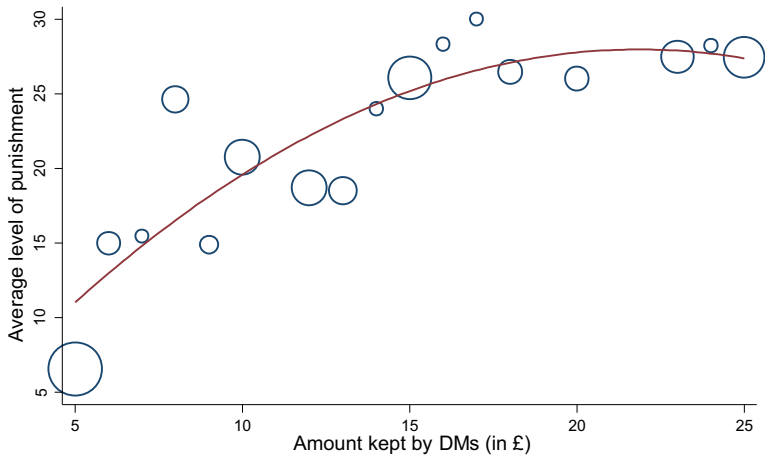
decision-makers get: £5 (£1.00 per decision-maker)

 £1 (£1.00 per recipient)

The proposed allocation **has been approved** with a majority of votes.

You have 50 deduction points. You can now decide whether (and how many) of your points you want to assign to each decision-maker. For each 10 points assigned to a decision-maker on average, his or her income will be reduced by £1. For each 10 points you keep, you will be paid £0.1.

Decision-maker:	1	2	3	4	5
Number of votes:	15	10	42	28	5
Your deduction:	0	0	0	0	0



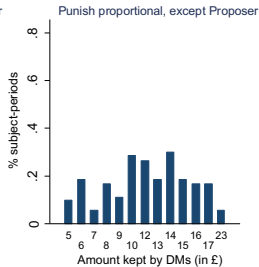
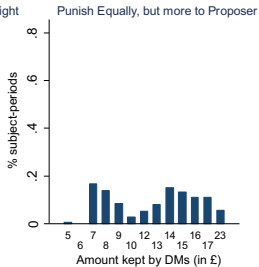
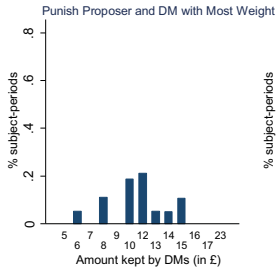
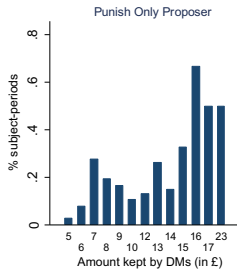
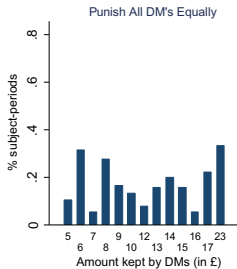
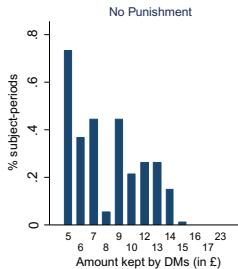


Figure: Information Context of Heuristics

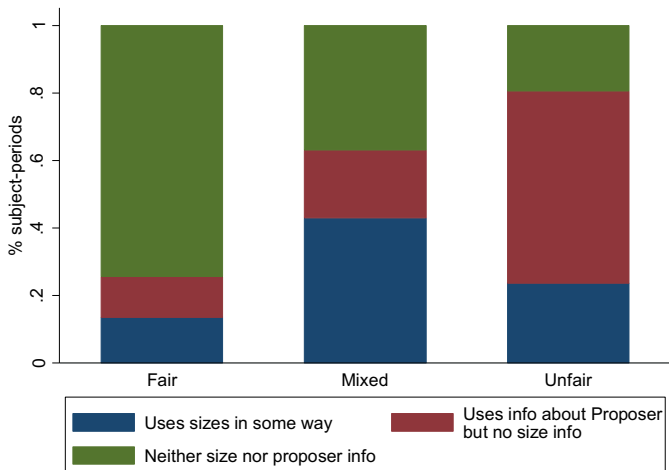


Figure: The Impact of Voting Weights and Proposal Powers on Punishment

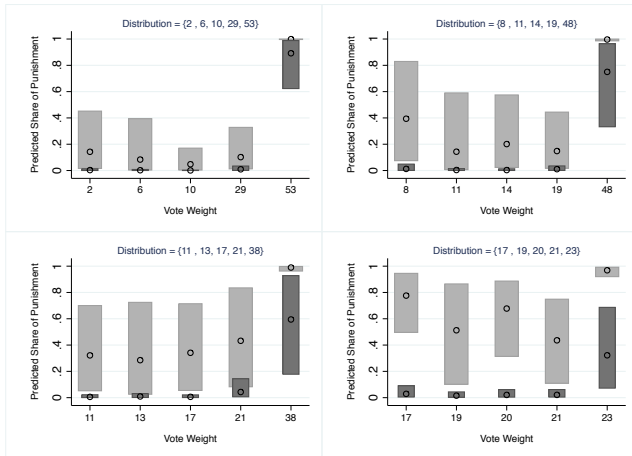
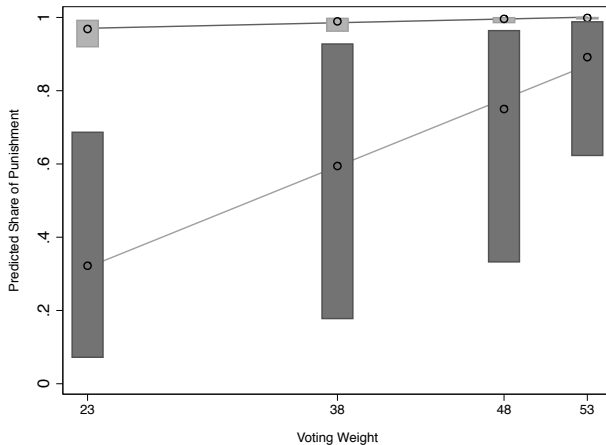


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- We frame our general decision problem in a **political context**, in which the decision-makers are **political parties** and the recipients are **voters**.

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- See Table. The proposals are shown in random order.

Table: Payoffs per subject, DKK

Proposal	If passed		If rejected	
	Per party	Per voter	Per party	Per voter
(33/27)	33	27	0	0
(57/3)	57	3	0	0
(63/-3)	63	-3	0	0
(87/-27)	87	-27	0	0

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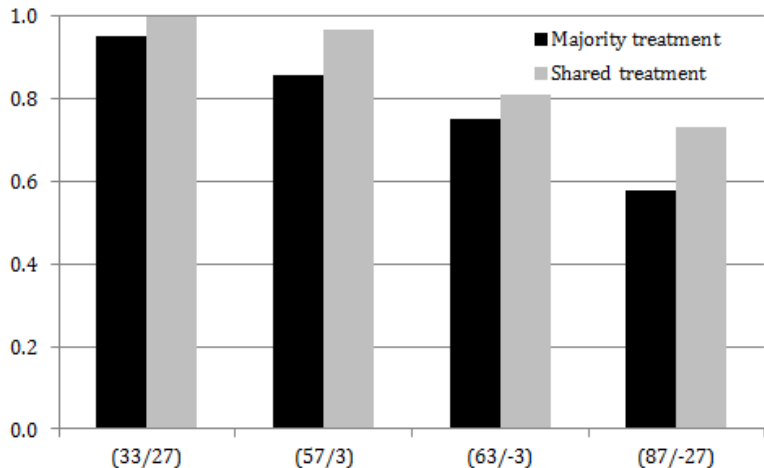
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- The answer is **yes** at the **10%-level**, but **no** at the **5%-level** ($\chi^2 = 3.23, p = .0723$).

Figure: Shares of Parliaments that Pass



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