

The ESRC Network for Integrated Behavioural Science is a partnership among the Universities of Nottingham, Warwick, and East Anglia. Visit us online at <http://www.behavioural-science.ac.uk>

NIBS 2015 in review

The Network for Integrated Behavioural Science (NIBS) hosted its annual conference from 21 to 23 April 2015 at the University of Nottingham. This year's theme, behavioural science and policy, placed special emphasis on applied and policy relevant research.

Four distinguished keynote speakers headlined the event:

- Colin Camerer - Robert Kirby Professor of Behavioural Economics at California Institute of Technology
- **Nick Chater** - Professor of Behavioural Science at University of Warwick (Business School)
- Catherine Eckel – Sara & John Lindsey Professor at Texas A&M University
- Paul Slovic - Professor of Psychology at University of Oregon

Audio snippets and summaries of the keynote presentations are available on the [NIBS conference website](#). A full list of speakers with presentation titles, and details of those who displayed their work in poster sessions, is available in the [programme](#).

Chris Starmer, Director of NIBS said; "We were really delighted with the response to the conference. There was a great atmosphere & some really excellent contributions and, with four parallel streams and two poster sessions, there was lots going on. The key to NIBS success is the cross-disciplinary and multi-institution approach. Conferences like this facilitate our networking and sharing with academics and students on a national and international platform."

Details on the NIBS 2016 conference can be found overleaf.

Financial Literacy, Present Bias and Alternative Mortgage Products

Policymakers have expressed concern that some mortgage holders do not understand or correctly choose their mortgage products, especially alternative mortgage products (AMPs) with back-loaded payments. Using a specially designed question module in a UK survey, **John Gathergood** and **Jörg Weber** investigate the impact of consumer financial sophistication on the decision to choose an AMP over a standard repayment mortgage. They show poor financial literacy and present bias raise the likelihood of choosing an AMP. Financially-literate individuals are also more likely to choose an adjustable rate mortgage, suggesting they avoid paying the term premium of a fixed rate mortgage.

The CeDEx Working Paper is [available online](#).

Too Much Transparency is a Bad Thing

NIBS Research Fellow **Dennie van Dolder** has been sharing his research in the media with articles in [The Conversation](#) and the [FT Adviser](#).

His paper, [Risky Choice in the Limelight](#), with co-authors Guido Baltussen & Martijn Van den Assem, examines how risk behavior in the limelight differs from that in anonymity. Using the popular game show 'Deal or No Deal' reveals that players in the game show environment demanded a considerably lower offer before agreeing to a deal. Contrary to popular belief they did not 'play to' the audience. Put into a financial context, overcautious decisions that arise from excessive transparency may cost clients and shareholders money and harm the economy.

Looking Ahead to 2016

NIBS will hold its 2016 annual conference at the University of East Anglia on 4–6 April. The conference topic will be *Assessing well-being when preferences are incoherent*.

Economists have always been concerned not only with description and prediction, but also with the evaluation of alternative economic policies and institutions, both in general, and in specific applications such as cost-benefit analysis, the analysis of competition policy, and the design of quasi-market institutions to correct market failures. Traditionally there has been a broad consensus among economists in favour of using economic efficiency, ultimately defined in terms of preference-satisfaction, as a principal criterion in such work. The idea that preference-satisfaction is an indicator of well-being has not been peculiar to economics: related ideas of ‘welfarism’ and ‘informed desire’ are often discussed by moral and political philosophers.

However, this approach has been undermined by recent work in cognitive psychology and behavioural economics which shows that individuals’ preferences, as revealed in their decisions and in their responses to survey questions, are often influenced by contextual and ‘framing’ factors that seem unrelated to well-being. A lot of work has been done to uncover the causal mechanisms behind these effects. Recently, there has also been a growth of literature deriving ‘behavioural insights’ from these findings – that is, insights into how policy-makers can use these effects to promote specific behaviour changes that are deemed desirable. But behavioural welfare economics, in the sense of general and operational criteria for evaluating alternative policy options when individuals lack coherent preferences, is still a relatively undeveloped research terrain.

The problem of developing such criteria is one of the major research themes of NIBS. We propose that a satisfactory solution to this problem will require the integration of ideas

from economics, psychology, public policy analysis, and moral, legal and political philosophy. In that spirit, the 2016 NIBS annual conference is designed to promote the exchange of ideas about this problem, to showcase progress that has been made, and to encourage further research. There will be plenary lectures by Gerd Gigerenzer, Daniel Hausman, David Laibson, Julian LeGrand and **Robert Sugden**; a round-table discussion involving Richard Layard, George Loewenstein and Albert Weale; and sessions in which the papers presented will have been selected following an open call in early Autumn of this year.

We invite contributions discussing a wide range of ways of tackling this, including - but certainly not restricted to - approaches which:

- characterise revealed preferences as the result of interaction between underlying ‘true’ preferences and psychologically-induced ‘biases’, and which attempt to reconstruct true preferences;
- are based on objective definitions of well-being, or on ‘objective lists’ of dimensions of well-being;
- are based on individuals’ self-reports of their subjective well-being;
- give normative value to individuals’ being free to make choices about their own lives, independently of what is chosen;
- characterise preferences as inherently imprecise, and try to construct measures of preference-satisfaction that can accommodate this imprecision.

Regret Theory: looking back, looking forward

NIBS Co-Investigator **Robert Sugden**, talks to Mark Thoma in this [video clip](#) about regret theory, as featured in The Economic Journal 125th [Special Anniversary Edition](#).