

# USCDornsife



The Los Angeles Behavioral Economics Laboratory (LABEL) is a research center dedicated to experimental research on economic decision-making and strategic interactions, led by Dr. Isabelle Brocas and Dr. Juan Carrillo. At LABEL, we focus on the collection of "non-choice" data such as reaction times, skin conductance, neural activity, and eye movements to better understand the mechanisms underlying decision-making. We are also particularly interested in the study of age-related changes in decision-making. For more information on LABEL, please visit our [website](#).

## New Research

### Developmental Meritocracy

Redistribution of endowments is a critical consideration in many policy-related issues. How do the source of the inequality and personal considerations shape one's approach towards redistribution and tolerance towards inequality? And how does this develop over age? In a recent study at LABEL, we investigated experimentally how children and teenagers (5 to 16 years old) perceive redistribution of merit-based outcome differences.



Participants exerted effort in a competitive slider task where the winner and loser are allocated 3 points and 1 point respectively. The participant as an impartial observer allocates additional 4 points between the two of them in one of 3 possible choices: compensatory (winner and loser end up with the same 4 points each), equitable (both receive 2 points) and meritocratic (the winner received 3 extra points and the loser receives only 1 extra point). Our findings show that the compensatory and the meritocratic allocation are the most and the least common choice respectively across all ages. Even so, the developmental trajectory is not monotonic. Compensatory allocations are hump-shaped in age, indicating that children become averse and then tolerant to inequality. Equitable allocations are U-shaped in age with a peak in late elementary school. By comparing behavior across different schools, we also found that socioeconomic status had no effect on the redistributive preferences of participants in the 11 to 14 age range.

**Developmental Meritocracy**, I. Brocas and J. Carrillo.

### The art of being unpredictable



Do people make unpredictable choices with randomization in the face of conflicting interests in multi-player strategic settings? We look at developmental aspects of the prevalence and evolution of mixed strategies through a novel design. Children and adolescents (7 to 16 years old) participated in a LABEL study and played 3 variations of a non-zero sum, hide-and-seek game with a unique mixed strategy equilibrium where each hiding spot has a known but different value. The tasks varied in provision of feedback and the ability to send cheap talk (potentially deceptive) messages. Given the conflict of interests, rational participants should be impervious to both messages and feedback.

We found that most of the participants across all ages favored the high value hiding spot not only as seekers (as predicted by theory) but also as hiders (in contradiction with theory). These patterns were explained well by the Quantal Response Equilibrium theory with large error. We also found that hiders were excessively truthful in the messages they sent while seekers had a slight tendency to (correctly) believe hiders. Finally, choices were serially correlated especially in the younger population, with a tendency both as hiders and as seekers to alternate excessively between hiding spots. Taken together, these results indicate that drawing logical consequences in games featuring opposite interests between players is counterintuitive. Importantly, this ability does not seem to develop with age.

**"The development of randomization and deceptive behavior in mixed strategy games"**, I. Brocas and J. Carrillo

## New Publications

Brocas I. and J. Carrillo, **"The development of social strategic ignorance and other-regarding behavior from childhood to adulthood"**, Journal of Behavioral and Experimental Economics, forthcoming.



Brocas I. and J. Carrillo, **"Studying decision-making in children: challenges and opportunities"**, Journal of Economic Behavior and Organization, forthcoming.

Brocas I. and J. Carrillo **"Iterative dominance in young children: experimental evidence in simple two-person games"**, Journal of Economic Behavior and Organization, forthcoming.

For more information about our research, please check [here](#).

## New Reports



### Inequality in the US: the lost American dream

Inequality is a topic that has been prevalent and important for a long time, but its effects on people have been magnified in the current times forcing us to look at disparity

with renewed vigour and a fresh set of eyes. Especially in America which draws many towards it as a land of opportunities. Is it really living up to its promises? In the pursuit for answers, we examine the current literature covering many aspects of inequality and its impacts in USA. Our extensive report summarizes research work, general statistics and historical trends in the domains of income, wealth, health, and educational inequality. We conclude that inequality is more significant now than before and gaps are getting wider when zooming in on features like gender, race and geography. Also covered in the report are a few causes of worsening inequality and the role of policies, laws and regulations in dealing with it.

**Inequality in the US: the lost American dream**, I. Brocas and W. Lu, LABEL reports, July 2020

For a full list of our reports, check [here](#).

## Activities

### The Little Experimentalists Summer Project

Given the current circumstances, we are exceptionally hosting a summer project with a group of high-school students from the Lycée International de Los Angeles. We will be discussing how other regarding concerns are critical to the understanding of decision-making. We will review some biological foundations and study cultural differences in the human perception of fairness. We will also discuss how economists use information to model preferences and how mathematical models help explain and predict pro-social behavior.



### Education at USC

LABEL is dedicated to disseminating knowledge on experimental methods and to explaining why they help understand how we make decisions every day. For that purpose, we have designed several **courses and programs** for college and graduate students at USC.

**New!** LABEL is sponsoring the Behavioral Economics Track of the Economics MA at the University of Serration in Behavioral Economics. The program is for students who wish to pursue a dissertation in Behavioral Economics or Experimental Economics and for students who wish to explore careers in Behavioral Sciences as consultant or researcher. The track will officially start this Fall 2020. Interested students should **contact us** to check which courses are offered this fall and spring.

### Training the next generation of students

We organize events in schools through our **Little Experimentalists Program** to teach students how to think about decisions in simple situations and to provide general information about the development of decision-making to parents and teachers. Also, our **LABEL Training Program** allows students (10th grade and up) to participate in research activities in our group. Our lab is currently accepting **applications** for the internship program for the spring period 2021.

### Where is our team heading in 2020-21?



Wen Lu is joining the **Economics PhD program** at the **Georgia State University**



Stephanie Cook will be starting her **Business Honors program** at the **McCombs School of Business at the University of Texas Austin**



Matt Burr is joining the **Economics PhD program** at the **University of Southern California**

### Participate in our studies



If you are a **student or an employee** from the University of Southern California, you can register [here](#).

If you are a **parent living in Los Angeles** and would like your child to participate in our studies, you can register [here](#).

If you are **living in Los Angeles and are 18 and older** and would like to participate in our studies and our studies over the life cycle, you can register [here](#).

All others, please contact us at [label@dornsife.usc.edu](mailto:label@dornsife.usc.edu)



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