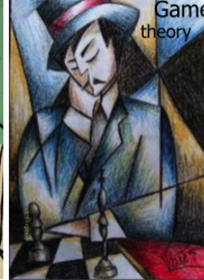




# USC Dornsife



Los Angeles Behavioral Economics Laboratory  
In honor of Jean-Jacques Laffont



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](#).

## Young children in markets of varying complexity

Are we inherently wired to make profitable exchanges? While markets are pervasive, it is still unclear when and how we develop the ability to recognize trading opportunities and the instinctive aptitude to organize market exchanges. In a first of its kind experiment, a recent LABEL study investigated children's ability to identify market opportunities and gains from trade in environments of different complexity.



Participants (children 5 to 8 years of age) were asked to trade in three situations in which efficient market outcomes can be achieved through barter or through commodity markets and a control where any exchange is necessarily detrimental for one party. We found that children reach efficient outcomes more often in barter economies (82%) than in commodity markets (53%) and that nearly half of them (47%) were involved in pareto optimal outcomes in all three markets. Though children in this age group are still developing their logical reasoning ability, we find that our study participants were able to collectively select an efficient outcome, suggesting that market forces are helping the decision-making process. These results put together suggest that not only adults but humans at younger ages are also wired to reach, perhaps intuitively, efficient market outcomes. Read the paper [here](#).



## The developmental trajectory of learning in strategic decision-making

When a strategic decision needs to be made in a multi-person environment, we would expect that more people tend to choose optimally when they have gained experience of similar choices. Existing studies of the well-known two-person **beauty contest** game have revealed a tendency to learn from experience in settings requiring iterative reasoning. In a

recent study at LABEL, we developed a graphical adaptation of this paradigm to study the developmental trajectory of instinctive behavior and learning from kindergarten to adulthood. Participant's final choices and choice processes were observed over the course of two consecutive trials of the game. We found that equilibrium behavior increases between kindergartners and 5th graders, stabilizing afterwards. This behavior was also found to increase from the first to the second trial, the improvement being similar across all age groups. Observing a rival playing at equilibrium is the most powerful learning channel in our game. We found that younger children constituted the weakest learning group as their exposure to learning opportunities from equilibrium playing rivals was limited. These findings suggest that the contribution of age to equilibrium play tapers away early in life and that feedback is an essential element of learning how to strategize. Read the paper [here](#).

## New publications



The development of consistent decision-making across economic domains", I. Brocas, J. Carrillo, D. Combs and N. Kodaverdian, *Games and Economic Behavior*, 116, 217-240 (2019). [PDF](#)

Risk Aversion in a Dynamic Asset Allocation Experiment", I. Brocas, J. Carrillo, A. Giga and F. Zapatero, *Journal of Financial and Quantitative Analysis*, 54(5), 2209-2232 (2019). [PDF](#)

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

## Future events

**March 9<sup>th</sup>, 2020** - The IEPR distinguished lecture series will host Matthew Jackson (Stanford University)

For more information about upcoming events, please visit our [website](#).

## Education

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. We also 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. Finally, our **LABEL Internship 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.

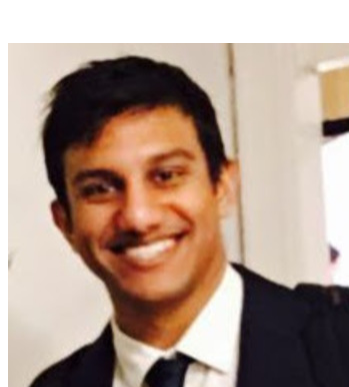
## Our Team

We have new people joining our team this year!

### New visitors



**Sobhana Atluri**  
Project Specialist  
(London School of Economics)



**Irfan Khan**  
Research Intern  
(Boston University)



**Yaning Chen**  
Research Intern  
(UCLA)

## Our remote research crew

- Arthur Acker (Lycee International de Los Angeles)
- Stephanie Cook (Fort Worth Country Day)
- Karan Danyanani (Christ University)
- Sarah Hu (West Windsor-Plainsboro High School North, NJ)
- Suhan Kacholia (Chandler High School, AZ)
- Wen Lu (University of Texas, Austin)
- Mihir Parekh (Christ University)
- Jimmy Wang (Montgomery High School, NJ)

Congratulations to **Jingyan (Jean) Guo**, our former project specialist, for starting her PhD in Economics at the University of California, Riverside!

## 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 on decision-making 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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