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Introduction to the JBEP Vol. 8, Issue 2

Dear Readers,

In this issue of the *Journal of Behavioral Economics for Policy* we have a new collection of five scientific contributions, from scholars in behavioral economics, focusing on relevant ongoing real-world issues and on discussions of hot topics in the field of behavioral economics.

The first article, *"Preferences for and productivity consequences of different fairness paradigms of income distribution: An experimental investigation into productive effort and income distribution,"* by Alexander Siebert and Jason Childs, explores preferences for equity and the efficiency implications of various income distribution strategies. The study employs a multi-period, three-player ultimatum/dictator game combined with a real-effort task. The findings indicate that when both roles and funds are "earned" through effort, equal income distribution results in the lowest productivity, while tournament-style distribution achieves the highest. However, both approaches are frequently rejected due to perceptions of unfairness. In contrast, effort-proportional pay generates the highest total income when accounting for losses from rejections. The authors conclude that, in this experimental context, the optimality of neoclassical income distribution stems from its perceived fairness.

The second article, *"Punishment incentives in principal-agent dynamics: Insights from a public goods game experiment,"* by Sandro Casal, Päivi Maijanen, Luigi Mittone, and Azzurra Morreale, examines the impact of punishment on agents' behavior within a principal-agent framework. The study investigates whether punishment mechanisms can mitigate agency problems and align agents' actions with principals' objectives. In the experiment, managers (principals) used punishment to influence employees' (agents') efforts and decisions. The results reveal that punishment motivates employees to select projects with higher returns for the manager. However, managers were unable to achieve their desired level of influence over employees' contributions to the projects.

The third article, *"From hypothetical to real: Analyzing WTA bias in pawn shop deals,"* by Andrea Morone and Paola Tiranzoni, investigates the divergence between hypothetical and actual willingness-to-accept

(WTA) valuations using a unique dataset from the reality television series Pawn Stars, which captures authentic bargaining interactions. The authors examine how item characteristics and negotiation factors influence hypothetical bias and negotiation outcomes. The empirical findings reveal a persistent positive hypothetical bias, primarily driven by higher price ranges and specific item categories. This bias is smaller for high-value items and those acquired through purchase or discovery, compared to personal possessions. These results contribute to the understanding of real-world bargaining dynamics and offer insights into mitigating WTA biases in economic assessments.

The fourth article, *"Auditing with rewards for honesty and punishments for cheating,"* by Austin Henderson, presents an online experiment testing the effects of rewards and punishments on cheating behavior. The author finds that small rewards are either ineffective or counterproductive. However, a large reward on its own can reduce cheating, and a large reward combined with a punishment drastically reduces cheating. Punishments, on the other hand, are generally effective, even when they have a negligible impact on the expected values of honest versus cheating behavior. These findings provide guidance on implementing rewards for honesty and expand knowledge of how auditing schemes influence behavior. While punishments may be undesirable due to practical or ethical concerns, policies incorporating rewards for detected good behavior are rarely used or studied.

The final article, *"Financial trading is not just a gender-based difference issue. A critical investigation across market mechanisms,"* by Isabelle Mortillaro and Maria Luigia Signore, examines the interplay between gender differences, individual traits, and market mechanisms in shaping traders' behavior. Through a critical review of experimental literature, the authors highlight persistent differences in financial decision-making processes across varying market structures. They explore how these differences are influenced not only by gender but also by factors such as financial literacy, risk attitudes, and trading experience. Additionally, the study considers the transformative impact of technological advancements and market design elements – such as auction types, liquidity, and transparency – on trading behavior. The findings underscore the importance of tailored financial literacy programs, inclusive policies, and technological interventions to create equitable and efficient financial environments. As financial markets become increasingly accessible and diverse, understanding the interplay between structural factors and individual behaviors is more critical than ever.

Recalling that all articles published in the *Journal of Behavioral Economics for Policy* has gone through a double-blind review process, I thank our Associate Editors for the great work they have done in the evaluation and revision of the articles published in this issue. Please, do not hesitate submitting your research in behavioral economics to the *Journal of Behavioral Economics for Policy*, especially if it has a focus on the implications of behavioral economics for public policy. Submissions and queries should be submitted to **jbep@sabeconomics.org**.

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JBEP 8(2)