

The Public Defense
of the Doctoral Thesis in Economics

by

Gergely István Hajdu

on

Essays in Behavioral Economics

will be held on

Monday, August 26, 2019 at 2pm

in the

Nimetz room (102)

Central European University

Nádor street 15, Budapest

Thesis Committee:

János Kertész (Chair)

Marc Kaufmann (Internal member)

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(External Examiner)

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(Internal Examiner)

The doctoral thesis is available for inspection
at the CEU Department of Economics and Business

Abstract

Two of the three essays are experimental studies on motivated beliefs, while the third chapter is a health economics paper on the labor market consequences of a health shock. The first chapter shows that people distort beliefs about third parties to excuse self-interested behavior. The second chapter (joint work with Balázs Krusper) demonstrates inflated beliefs as a result of holding a portfolio. The third chapter (joint work with Kinga Marczell) uses a Hungarian administrative data set and shows how managers' career path are differentially affected by a health shock compared to the career path of non-managers.

Chapter 1 - I Gain, You Mitigate

This paper examines whether people distort beliefs about third parties – such as the ability of scientists to offset one's environmental impact – to excuse self interested behavior. I set up a lab experiment in which dictators decide how much money to take, with the success of a third party in solving a puzzle determining whether the money comes from passive participants or another source. The experiment exogenously varies whether it is the success or the failure of the third party that results in taking the chosen amount from passive participants. After participants decide the amount, they report their beliefs about the success of the third party. I find that the proportion of participants believing in the success of the third party is 13 percentage points higher when the success of the third party results in taking the money from a different source. With monetary incentives for correct beliefs, this effect goes down to 6 percentage points and becomes insignificant. This means that the presence of a third party might result in even more self-interested behavior than it has been previously thought.

Chapter 2 - Holding a Portfolio and Wishful Thinking

with Balázs Krusper

This paper investigates whether people distort their beliefs about ambiguous outcomes of products as a result of owning them. We set up a lab experiment where people have to form beliefs about portfolios' payoff probabilities. The experiment exogenously varies whether the good, or the bad portfolio is assigned to the subject. We find that beliefs about the payoff probabilities are 2.75 pp higher for assigned portfolios and this effect is significant on a one-sided test. The study also tests for asymmetric belief updating, effects of changing payoff size, and changes in incentives for correct guessing. We find neither sign of differential belief updating, nor an effect of changes in incentives for guessing correctly. When the amount the portfolio pays off is increased, there is less of an effect of owning it. This is hard to reconcile with the current theories, however, disappointment aversion might be a plausible explanation.

Chapter 3 - The Effect of Managers' Health Shocks on their Future Employment

with Kinga Marczell

Using Hungarian administrative data set, this study analyzes the effect of a health shock on employment outcomes – such as wage and employment. Distinguishing managers, we estimate interaction effects as well. A health shock results on average 45pp permanent drop in the likelihood of employment starting one year after the event, and a temporary drop in wages. The likelihood of employment for managers, however, are affected 5.5pp less and their wages experience a moderate drop lasting even after the health shock. These differences can not be explained by neither observables, nor differential trends prior to the health shock.

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Education **Central European University, 2012-to present**

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Field: Experimental and Behavioral Economics

Central European University, 2010-2012

M.A., Economics, 2012

Corvinus University of Budapest

Diploma in Economics, Macroeconomic Analyst and Forecaster, 2010.

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Experience Instructor, Behavioral Economics, 2016

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Teaching Assistant for Professor Botond Kőszegi,
Behavioral Industrial Organization, 2017-2018

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Algebra, Calculus, 2014-2015

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Research Experience

Central European University

Research Assistant for Professor Botond Kőszegi, 2016-2018

Research Assistant for Professor Miklós Koren, 2015-2016

Research Assistant for Professor Robert Lieli, 2011

Conference Presentations and Research Visits

Presenter at The 13th Nordic Conference
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Poster presentation at the 5th Spring School
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Visiting fellow at **University of California Santa Barbara**, 2015

Participant of the 24th Jerusalem Summer School in Economic Theory, 2013

Scholarships and Fellowships

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Languages and Skills

Hungarian (native), English (fluent), German (fading)

Python, Matlab, zTree, Stata, L^AT_EX