

# short lecture series

The briq Short Lecture Series comprises two lectures of 90 minutes each, held consecutively on a single day by top-level researchers in the fields of behavioral economics and the sources of inequality.

## Mats Köster

Assistant Professor of Economics,  
Central European University (CEU), Vienna



Wednesday, November 2<sup>nd</sup>, 2022

**10:00 – 11:30**

SESSION 1

**Salience Effects in Choice under Risk**

**14:30 – 16:00**

SESSION 2

**Salient Cues and Complexity**

**briq** | Conference Room  
Schaumburg-Lippe-Straße 5–9, Bonn



## Session 1

### **Salience Effects in Choice under Risk**

A fast-growing literature studies the effects of salience-driven attention on economic behavior. That our attention is sometimes (perhaps subconsciously) influenced by cues is well-documented. But the implications thereof for economic behavior have only recently been modeled formally. We work out the testable implication(s) of models on salience-driven attention in the context of choice under risk; namely, a preference for „relative skewness.“ This distinguishes salience-based models from leading theories of choice under risk (such as EUT or CPT), according to which only „absolute skewness“ matters. We discuss experimental (and empirical) evidence suggesting that people care about relative rather than absolute skewness.

## Session 2

### **Salient Cues and Complexity**

Important decisions are often complex, and existing evidence suggests that complexity can affect economic behavior. It is still an open question, however, exactly when and how it matters for behavior. We hypothesize that people use „salient cues“ to solve complex problems, while absent such a cue they are easily overwhelmed by complexity. We experimentally test and support this hypothesis in the context of choice under risk.

### **Reading List**

Bordalo, P., Gennaioli, N., and A. Shleifer (2012): „Salience Theory of Choice under Risk.“ *Quarterly Journal of Economics*, 127 (3), 1243-1285.

Bordalo, P., Gennaioli, N., and A. Shleifer (2022): „Salience.“ *Annual Review of Economics*.

Dertwinkel-Kalt, M., and M. Köster (2020): „Salience and Skewness Preferences.“ *Journal of the European Economic Association*, 18 (5), 2057-2107.

Dertwinkel-Kalt, M., and M. Köster (2022): „Salient Cues and Complexity.“ *Working Paper*, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3697313](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3697313).

