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## AWI This Week

**Monday, 21.11.11**

### Departmental Seminar

17.15-18.45  
AWI 00.010

Rosemarie Nagel, Pompeu Fabra University  
"Assessing Strategic Risk with fMRI"

**Wednesday, 23.11.11**

### Departmental Workshop

17.15-18.45  
AWI 00.010

Melanie Arntz, ZEW  
"Unequal Pay or Unequal Employment? What Drives  
the Skill-Composition of Labor Flows in Germany?"

## Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

### Departmental Seminar

Rosemarie Nagel

"Assessing Strategic Risk with fMRI"\*

By Rosemarie Nagel (UPF-ICREA), Andrea Brovelli (CNRS-Marseille), Frank Heinemann (TU-Berlin), and Giorgio Coricelli (CIMEC, U. Trento, CNRS-Bron, USC) Neuroscientists and economists have recently begun to study jointly how strategic thinking regulates human individual and social behaviour. In this paper we measure strategic uncertainty in coordination games with strategic complementarities (CC) and substitutes (CS) in 2 person and large groups and risk within lottery setups, all framed in a similar way. The question we are addressing is whether the neural systems mediating decisions in individual and social context are distinct. More precisely, we are trying to identify whether risk and strategic uncertainty are mediated by different brain networks. We found enhanced activity in bilateral anterior insula related to outcome uncertainty. We see clear differences in brain activity when comparing risk averse subjects and risk loving subjects playing lotteries and CC-games, but not when playing CS-games. This complements our behavioral data which shows a strong correlation between risk attitudes and CC-games, but no correlation between risk attitudes and CS-games. Activity in the medial prefrontal cortex (mPFC), superior temporal sulcus, temporo-parietal junction, and posterior cingulate cortex was related to playing in coordination and entry games. Increasing strategic uncertainty was correlated with neural activity in the mPFC. Our results suggest that a common neural substrate (anterior insula) is shared in the individual and social contexts for the resolution of uncertainty. Moreover, the pattern of activity in the mPFC revealed the fundamental role of this area in strategic reasoning in the beauty contest game (Coricelli and Nagel, PNAS 2009).

\*with Andrea Brovelli, Frank Heinemann, and Giorgio Coricelli

### Departmental Workshop

Melanie Arntz

"Unequal Pay or Unequal Employment? What Drives the Skill-Composition of Labor Flows in Germany?"

This paper examines the determinants of gross labor flows in a context where modeling the migration decision as a wage-maximizing process may be inadequate due to regional wage rigidities that result from central wage bargaining. In such a context, the framework that has been developed by Borjas on the selectivity of internal migrants with respect to skills has to be extended to allow migrants to move to regions that best reward their skills in terms of both wages and employment. The extended framework predicts skilled workers to be disproportionately attracted to regions with higher mean wages and employment rates as well as higher regional wage and employment inequalities. Estimates from a labor flow fixed effects model and a GMM estimator show that these predictions hold, but only the effects for mean employment rates and employment inequality are robust and significant. The paper may thus be able to explain why earlier attempts to explain skill selectivity in Europe within a pure wage-based approach failed to replicate the US results.

## Talks and Research Visits

**Peter Dürsch** presented his paper *Benevolent and Malevolent Ellsberg Urns* (joint with Adam Dominiak) at the 2011 ESA conference in Tucson, November 10-12.

**Julia Müller** presented her paper *"Can Personality Explain Women's Unwillingness to Compete?"* (joint with Christiane Schwieren), at the 2011 ESA conference in Tucson, November 10-12.

**Alex Roomets** presented his paper *A Mechanism to Elicit Continuation Values in Experiments*, at the 2011 ESA conference in Tucson, November 10-12.

**Krishna Chaitanya Vadlamannati** gave a talk on "Resistance to Globalization? Motivation and Organization of Maoist Violence in India" at German Institute of Global and Area Studies (GIGA), organized by Institute of Asian Studies, Hamburg, November 9.

## Miscellaneous

Malte Faber was invited by the Institute of Spatial Planning & Regional Economy and the Department of Law and Regulations of the National Development and Reform Commission (NDRC), which is the brain trust of the State Council of the People`s Republic of China, the most powerful political decision maker in China, to give workshops on "Theory and Practice of Environmental Policy" and "The Water and Waste Legislations in the Federal Republic of Germany", in Beijing, November 8-10.

**Editorial deadline for issue 28/2011 of the newsletter:  
Wednesday, November 23, 2011, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,  
please contact the address above.