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The Effects of Induced Mood on Preference Reversals and Bidding Behavior in Experimental Auction Valuation

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Abstract

This article contributes to the research agenda of accommodating psychological insights in conventional lab experiments. We specifically test whether inducing subjects into different mood states has a significant effect on subjects rationality (in the form of preference reversals) and on bidding behavior in homegrown value auctions. We find that mood states can significantly affect the rate of preference reversal and bidding behavior in experimental auction valuation. Specifically we find that subjects exhibit more rational behavior under a positive mood state than under a negative mood state. Subjects in a positive mood provide lower bid values than others. Regardless of mood states, males tend to commit a higher rate of preference reversal than females in mixed gender sessions. However, females tend to commit higher rate of preference reversal in female only sessions than in mixed sessions while males tend to commit a lower rate of preference reversal when in male only sessions than in mixed sessions.

Keywords: *mood, affect, rationality, Vickrey auction, preference reversals, gender differences*

JEL codes: C91

Introduction

The “Paretian Turn” that took place in the early 20th century, initiated by Pareto, stripped economics of all psychological concepts by basing economic theory on the principles of rational choice (see Bruni and Sugden 2007 for a historical perspective). However, with the advent of

“behavioral economics”, economics and psychology no longer stand in complete isolation. In fact, a synthesis of the potential fruitfulness of interacting economics with psychological concepts has appeared in core economic journals (1998; Elster 1998; Rabin 2002). For example, Elster (1998) brought out the interesting features of “emotions” that could be useful in developing economic theory and in explaining human behavior. Elster’s work has been extremely influential as evident by the increased number of published articles following his work. His article has also been cited by a number of economists who studied the effect of emotions on economic behavior. For example, Bosman et al. (2005) and Reuben and van Winden (2008) explored the effect of emotions such as anger, irritation, envy, happiness, joy etc. in a “power-to-take” experiment (Bosman and van Winden 2002) while Grund and Sliwka (2005) examined the effect of envy and compassion in a tournament competition. Karni et al. (2008) tested for the presence of concern for fairness in individual choice behavior in a three person dictator game.

Although a number of economic studies have focused on studying the effect of emotions in recent years, there is scant literature on the examination of the closely related concept of mood in economics. The literature in economics usually confounds emotions and mood in an almost indistinguishable way. However, there are stark differences between emotions and moods, as described in the psychology literature. Emotions tend to be extremely brief, lasting for a few seconds (Izard 1991; Larsen 2000) while moods typically last longer (Watson and Vaidya 2003). Prolonged emotional states are possible but they only tend to be dysfunctional manifestations of psychopathology (Clark and Watson 1994). Watson and Vaidya (2003) provide an example of how the full emotion of anger might last for only a few seconds while an annoyed or irritable mood may persist for several hours or even for a few days. In essence, the concept of mood subsumes all subjective feeling states, not simply those experiences that accompany classical, prototypical emotions such as fear and anger (Watson and Vaidya 2003). Therefore, to explore all aspects of affective states on human behavior, it would be necessary to go beyond the narrow boundaries of emotions by examining the much broader concept of mood.

Moods states could influence behavior by influencing both the content and the process of cognition (Capra 2004). Moods can also play an important role in the construction of preferences that in turn influence decision-making and judgment (Payne, Bettman, and Schkade 1999; Slovic 1995; Lichtenstein and Slovic 2006; Johnson, Steffel, and Goldstein 2005). Hence, given that some cognitive process is employed in people’s choices, it would hardly be a surprise if mood states are able to affect human decision making and behavior. In fact, in two studies that used simple games, mood states have been found to influence labor interactions (Kirchsteiger et al., 2006) as well as generosity and reciprocity (Capra, 2004). In this study, our goal is to examine how mood states can affect people’s behavior in a conventional laboratory experiment (see Harrison and List 2004).

Specifically, we explore how positive and negative mood states affect the rate of preference reversals and bidding behavior in homegrown value auctions. This issue is important since if mood states can indeed significantly influence behavior in laboratory economic experiments such as ours, then this can have significant implications for experimental designs and the need to control for mood states when conducting laboratory auction experiments. To our knowledge, our study is only the third paper in economics that assessed the effect of moods in a complex environment such as auctions. The other two studies are by Lerner et al. (2004) which found negative mood state in the form of sadness (disgust) to increase (decrease) willingness to pay (WTP) and by Capra et al. (Capra, Meer, and Lanier 2006) which found only weak mood effects on WTP. Our paper differs from these two studies in that we focus not only the effect of mood states on WTP but also on people's rationality as represented by rate of preference reversal.

The preference reversal phenomenon is an empirical regularity that has been first noticed by psychologist (Slovic and Lichtenstein 1968). While economists such as Grether and Plott (1979) first set out to disprove the psychologists' work on the preference reversal phenomenon, they ended up attesting to its robustness. Since then many studies have tried to explain the causes of preference reversals and these are nicely summarized in Seidl's review (Seidl 2002). Despite the numerous studies, the issue was not of course settled. Economists found new patterns of preference reversals that were incompatible with the best-known explanations (Cubitt, Munro, and Starmer 2004) or even presented new theories, such as the third generation prospect theory, that could predict observed patterns of the preference reversal phenomenon (Schmidt, Starmer, and Sugden 2008). Harrison et al. (2007) argued that preference reversals often happen because the cost of an error is really small when people are risk averse. However, at its very basic design (e.g., Cox and Grether 1996), the rate of preference reversals can be seen as a test of preference theory. Our basic question is therefore whether certain mood states can alleviate the rate of preference reversal or make it worse. To generate preference reversals in our experiments, we asked our subjects, among others, to price lotteries in an auction setting. Since lotteries are homegrown value goods, our design also allows us to examine the effect of induced mood states on bidding behavior.

This paper proceeds as follows: the next section presents a literature review of published studies that deal with mood in the economic literature. The purpose of the review is to set the context of our study and place it in the existing literature. Section 3 describes the experimental design set forth and section 4 describes the analysis and the results. We conclude in the final section and discuss future research directions.

Literature review

A systematic review in EconLit of published articles that include mood in the title of the paper, identified less than fifty papers. These include papers published in journals of broader economic areas that often move along the boundaries of psychology and economics as well as in the fields of marketing, business and finance. These articles have been scattered around many, often diverse, journals. The big core of mood related articles (more than half of the papers) have been published in marketing type journals like the *The Journal of Consumer Research*, *Journal of Marketing Research* or *Psychology & Marketing*, spanning a period from 1985 to 2010. On average, about one paper is published per year in the marketing field.

In this section we will primarily focus on studies that are related to consumers' decision making processes and only briefly mention studies related to other topics. For example, there is a small literature developed in the field of finance that examines the relationship between equity pricing and mood (e.g., Dowling and Lucey 2008a; Saunders 1993). However, these and other studies (e.g., Kamstra, Kramer, and Levi 2000; Dowling and Lucey 2008b; Kliger and Levy 2003) do not deal with individual decision making but rather try to relate exogenous phenomena like weather and lunar phases (that are assumed to affect collective or social moods) with investors' behavior.

On the other hand, the marketing strand, which contains the majority of the mood related literature, spends considerable effort in inducing individuals into certain mood states and then studying the effect of inducement on certain market like phenomena. A good, although dated, literature review which focuses on consumers' mood related behavior is by Gardner (1985). Gardner examined the effect of induced moods on a range of behaviors, affective reactions, judgments and ability to recall information. A considerable amount of this review reported on findings from the psychology literature, indicating that mood has direct and indirect effects on behavior, product evaluation and recall.

Since Gardner's literature review, the marketing literature has been very active publishing empirical studies that examine the effect of induced mood states on a variety of phenomena. A widely cited finding is that happy mood induces people to provide higher product evaluations, an effect which persists even days after the original evaluation (Pocheptsova and Novemsky 2010). For example, in Lawson (1985), happy mood-induced subjects gave higher product desirability ratings than subjects in sad mood. Perhaps this is due to the fact that positive mood biases negative thoughts, which in another study led to more favorable evaluation of advertising messages (Batra and Stayman 1990). Indeed, Lawson (1985) found that people in negative mood tend to recall more negative information while Batra and Stayman (1990) found that positive mood leads to more

heuristic processing of information i.e., affect the amount of total cognitive elaboration, bias the evaluation of argument quality, and peripherally affect brand attitudes.

In addition, Swinyard (1993) found that only *involved* subjects (i.e., in a shopping experience) in a positive mood evaluated a shopping experience more favorably while there was no difference for uninvolved consumers. When people think that the evaluation they are doing is important, then they are more likely to rate a product favorably but not when it is not perceived as important (Curren and Harich 1994). A similar effect on product ratings was observed in Raghunathan and Irwin (2001) but the effect of mood on product ratings was greater under domain mismatch (i.e., whether products in the context set belong to the same category as the target) than under domain match. Qiu and Yeung (2008) reconfirmed that subjects in a happy mood rate products more favorably than subjects in an unhappy mood. They also showed that mood influences comparative judgments. Specifically, they found that participants in a happy mood tend to choose the first shown option (from a list of three bakery products). However, when information about the flavor of the products was released right after all products were shown, subjects tend to choose the last shown option and evaluated this option much higher. Similar effects to product evaluations have been documented with service quality ratings (see for example Sirakaya, Petrick, and Choi 2004; White 2006; Barger and Grandey 2006; Knowles, Grove, and Burroughs 1993; de Ruyter and Bloemer 1998; Pugh 2001).

A small strand of the marketing literature has also reported on how mood relates with brand extensions, brand evaluations/selections and brand recalls. Barone et al. (2000) found that positive mood not only affects evaluations of the product under examination but also of the product's brand extensions since it makes brand extensions to be perceived similarly to core brands. Consumers are also more likely to learn more brand names, recall brands from more categories, recall more brands per category and exhibit more clustering of brands from the same category under a positive mood (Lee and Sternthal 1999). This effect of positive mood on brand recall was demonstrated even when mood was induced 72 hours later than when ads were displayed (Knowles, Grove, and Burroughs 1993). Moods have also been found to affect brand choice since positive mood prompts experiential selection strategies (i.e., concentrating on feelings and fantasies about using particular brands) whereas negative mood prompts informational strategies (i.e., using acquired or stored brand information) (Gardner and Hill 1988). In addition, subjects in positive mood are more reluctant to switch brands and lose confidence in their preferred brand when disconfirming information (i.e., information challenging subjects tentative preferences) are given, which can be interpreted as a sign of less preference reversals (Meloy 2000).

In addition to mood effects on product and brand evaluations, moods have also been shown to affect the very core of the decision making process. For example, in Spies et al. (1997) subjects in

a positive mood were found to be more satisfied with their shopping experience and to spend more money on spontaneous purchases. Positive mood has also been demonstrated to affect decision making by facilitating resistance to temptation (as defined by choices between two snack items; M&Ms and grapes) (Fedorikhin and Patrick 2010). The decision making process for subjects in a positive mood may also be related to higher needs in Maslow's hierarchy, involvement of more sensory and experiential thoughts (Gardner and Hill 1989) and more variety seeking (but not in extreme positive mood) (Roehm and Roehm 2005). Mood has also been shown to affect risk taking behavior. Park et al. (2005) found that positive mood negatively influenced perceived risk from online purchases which in turn positively influenced purchase intention. Similarly, Grable and Roszkowski (2008) found that positive mood was associated with having a higher level of financial risk tolerance, as measured by a series of hypothetical questions.

Two more studies found significant differences on how subjects' decision making is affected by mood in the judgmental and risk domain. English and Soder (2009) asked subjects to take upon the role of a judge and decide how to punish a person in a shoplifting scenario. The scenario was anchored with either a low or high sentence from the prosecutor. The expert sub-sample anchored their decision independent of the mood state they were into, while the non-expert sub-sample under a positive induced mood remained uninfluenced by the given anchor. Results remained uninfluenced even when the authors changed the judgmental domain to be less affective in nature. In another study, de Vries et al. (2008) tested how mood affects subjects that play the Iowa Gambling task. In this game, subjects were given two decks of cards to choose from. Profits were determined based on draws from the decks. Subjects had to learn through repetition that only one of the decks increases their profits. The authors found that subjects in a positive mood relied more on their gut-feelings in decision making (better performance in the early stages of the game when subjects are still highly uncertain) while those under a negative mood adopted a more careful, analytical decision strategy.

In contrast to the more established and expansive literature from other fields of social science, the literature on mood effects in economics is more limited and recent. Examples of these recent economic papers include Capra (2004) who studied the effect of induced mood states in a standard trio of games that are often used in experimental economics i.e., the dictator, ultimatum and trust games. She found that positive mood in the dictator game induces helping behavior i.e., proposers contributed more to the receiver. In the ultimatum and trust games, choices of those with positive mood were closer to rational choices and farther from the benchmark than those with negative mood. Her findings were generally confirmed by Kirchsteiger et al. (2006). They found that subjects playing a gift-exchange game were more generous to others although they had much lower reciprocal behavior. More recently, Capra et al. (2010) studied the effect of induced mood on *induced* and *homegrown* value nth price auctions. They found that positive mood made the auction

less demand revealing in nature i.e., subjects overbid more relative to their *induced* value. However, their results generally suggest that mood only had a weak effect on *homegrown* value elicitation. Although published in a marketing journal, Meloy et al. (2006) is closely related to economic science since they took a shot at how experimental economists embraced financial incentives as essential to the validity of their research. The authors randomly assigned subjects to (financial) incentive and no-incentive treatments and found that financial incentives altered subjects' mood but this resulted in decreased task performance since elevated mood negatively influenced information processing in decision making.

In summary, we have demonstrated that much of the literature on mood effects has been published in non-economic social science literature. Our objective in this study is to add to the scant economic literature on mood effects by focusing on the effect of induced moods on the observed anomalies in preference theory and in homegrown value auction experiments. Our study is different from Capra et al. (2010) in that: (1) we focus on subjects' rationality or rate of preference reversals and (2) we explore gender differences in mood effects on both WTP and rate of preference reversal. While there are differences in experimental designs, we can also use our study to test the robustness of their findings. Conducting the experiments with homegrown auction experiments is also important since the number of these experiments conducted by economists has grown significantly in the last 10 years partly due to increasing interest in experimental auction methodologies and valuation research.

The experiment

To explore the effect of mood on human decision making we designed an experiment with a three-fold purpose. Our first objective was to explore the rate of preference reversals in the market for lotteries. Lotteries are homegrown value goods, but assuming rationality, individuals' rankings of two lotteries should be the same whether they are participating in a choice task or submitting separate bids for the two lotteries in an experimental auction. A comparison of the frequency of preference reversals across treatments where we induce different mood states would allow us to determine whether positive or negative mood leads to increased/decreased rationality. Our second objective is to explore the effect of induced mood states on bidding behavior in homegrown value auctions, which will enable us to examine the robustness of the results obtained in Capra et al. (2010). In their study, they obtained only weak mood effects on subjects' WTP.

Since the tasks that our subjects undertake involve choices under risk in what might look like a competitive environment and given the widespread evidence on how males and females behave differently under those conditions (e.g., Niederle and Vesterlund 2007; Gneezy, Leonard, and List 2009; 2009b, 2009a), our third objective was to isolate any gender effects that might come up in

mixed sessions and explore how subjects behave when only peers of the same gender participate in the lab. Therefore, we run additional sessions with males only and females only.

To minimize the number of sessions that we would need to run for the full design, we decided to induce different mood states to subjects in the same session. Given that our computer lab is equipped with private booths and no communication was aloud, we were certain that no mood contagion would take place. Our mood inducement technique is described in detail below.

The mood experiment was part of a larger project on choice under risk, therefore it also involved some risk preference and time preference tasks. The time preference task was placed at the very end of each session since it involved winning a considerable amount of money and we did not want to risk contaminating the previous tasks with income effects. The risk preference task and the preference reversal task (which include the auction) were presented in alternating order between sessions to avoid order effects.

Our design involved six treatments in six sessions¹. In the first two treatments we induced half of the subjects with positive mood and half of the subjects with negative mood. The only difference between the first two treatments was that the order of the preference reversals and risk preferences task were alternated. In treatments 3 and 4, our control treatments, mood was only measured and not induced. The order of the preference reversals and the risk preferences task was also alternated in these treatments. Treatments 5 and 6 were similar to treatment 1 except that subjects in these treatments were all females and males, respectively. Table 1 shows the experimental design. We only used one proctor or monitor (i.e., one of the authors) for all sessions.

Description of the experiment

A conventional lab experiment was conducted using the z-Tree software (Fischbacher 2007).² Subjects consisted of undergraduate students at the Agricultural University of Athens. During the recruitment, the nature of the experiment and the expected earnings were not mentioned. However, subjects were told that they will be given the chance to make more money during the experiment. Stochastic fees have been shown to be able to generate samples that are less risk averse than would otherwise have been observed (Harrison, Lau, and Rutström 2009).

¹ In our very first session one of the subjects could not keep himself quiet during the experiment. Given the sensitivity of our design to contaminating mood behavior, we reran this session with a completely different set of subjects. Therefore, in total we ran seven sessions, the seventh being a re-run of treatment one. We dismissed data from session 1 from all further analysis since we considered these data contaminated.

² z-Tree is a software package designed to facilitate computer-based economic experiments. It has been used in numerous experiments as evident by the more than 1800 citations that the paper documenting the software has collected in Google scholar.

The experimental design we adopted is exhibited in Table 1. Each subject participated in only one treatment. The size of the groups varied from 15 to 18 subjects per treatment. Each treatment lasted a little more than an hour. In total, 101 subjects participated in our experiments, which were conducted in March 2010.

Each session consisted of different phases: the training phase, the mood induction phase, the mood measurement phase, the preference reversal phase (split into the choice and the lottery auction tasks), and the post-auction phase³. Subjects were given clear prior instructions on the overall layout of the session and were also reminded about the procedures at the beginning of each phase.

The training phase

A second-price Vickrey auction (1961) was used to elicit subjects' values for lotteries⁴. After arriving at the lab, subjects were randomly assigned to a computer. Subjects were given €15 as a participation fee at the end of the experiment. We emphasized that although they were not given the money at the beginning of the experiment, the €15 was theirs to use as they please and that they should think that they have this money already. To control for possible monetary endowment effects, subjects were also told that a random amount of money between €0.5 and €4 was going to be assigned to each one of them.⁵ Everyone then received a random draw determining their individual-specific extra fee, which was added to their participation fee as soon as the computerized phase of

³ We also included risk and time preference phases after the preference reversal phase but since these phases are not part of this paper's research focus, we are not giving a detailed discussion of these phases. In brief, we followed similar procedures reported in (Andersen et al. 2008)

⁴ Admittedly, the choice of the valuation mechanism plays a crucial role in the accurate elicitation of homegrown values. For example, there is always a chance of disengaging some of the participants in auctions due to small number of winners. Shogren et al. (2001) found that the 2nd price auction worked better for on-margin bidders while the random n th price auction worked better for off-margin bidders. Rutström (1998) found that English auction bids are significantly lower than Vickrey auction bids, on average, and that there is a significantly smaller residual variance in English bids. Harrison (2006) and Harrison et al. (2004) emphasize the importance of having simultaneous bid submission rather than having real-time bid submission or real-time sequential bid submission such as in an English auction. Lusk and Rousu (2006) have found that on average the 2nd price auction and the n th price auction are more accurate than the BDM and Shogren, Cho et al. (2001) found that the WTP/WTA gap remains in a BDM mechanism while it disappears in active market environments like the 2nd and n th price auctions. Considering the different advantages and disadvantages and the different findings about the accuracy of valuation estimates of the various mechanisms, our choice (2nd price auction) was largely influenced by the popularity of the mechanism in the valuation literature. Our interest as well is on the "relative effect" of induced mood states on subjects' valuation so choice of auction mechanism should be less of a concern than when the objective is to examine the effect of moods on the effectiveness of a mechanism.

⁵ In every step that involved random drawings by the computer, we reassured subjects that the drawing was fair and that extra care was taken by the programmer to make sure that this is the case.

the experiment began. We emphasized to the subjects that the endowment they received was private information and that they should not communicate this information to other subjects in the lab. All transactions were completed at the end of the experiment.

Subjects were given extensive training to fully familiarize them with the auction mechanism and to inform them that it is in their best interest to bid their true values (i.e., their dominant strategy). They were asked to watch a short PowerPoint presentation to familiarize them with the auction procedures. The presentation included a short explanation of the second-price auction, along with a numerical example demonstrating why it is in their best interest to bid truthfully. Subjects then took a short computerized quiz to determine if they thoroughly understood the experimental procedures. After the quiz, the monitor explained the correct answers and subjects were encouraged to ask questions about the auction procedures and their dominant strategy. Since we employed homegrown auction experiments, we wanted to make sure that all subjects were fully informed of the auction procedures and educated about their dominant strategy or the need to reveal their true WTP values. The type of extensive training we used in this study has been found to be effective in making subjects bid truthfully in Vickrey auctions (Drichoutis, Nayga, and Lazaridis 2010).

Next, subjects bid in three practice *hypothetical* multi-product auction rounds.⁶ The monitor emphasized that while these rounds were simply intended to further familiarize subjects with the auction procedure, they should bid as if they were in a real auction. The monitor also emphasized that one binding round and product would be randomly chosen at the end of these rounds. A screen displayed subjects' hypothetical payoffs after these rounds.

After getting the subjects fully familiarized with the auction mechanism and procedures, subjects then bid in three *real* multi-product auction rounds.⁷ The monitor emphasized that these rounds were now real and that the highest bidder would actually pay for the products. Again, one round and one product were randomly chosen as binding at the end of these rounds. A screen displayed subjects' earnings after these rounds. To avoid the possibility of bids getting influenced by affiliated beliefs about the value of the products, we did not provide subjects information about observed bids or prices from the previous round. Instead, we only provided them with the ID of the winner from the previous round. Affiliated beliefs could arise when subjects anchor their bids to previously observed bids. Hence, between rounds the only available information given was subject's winning ID. The IDs were randomly distributed by the computer so no-one but the winner could identify the highest bidder.

⁶ The products were a packet of gums, a bag of cookies and a bag of potato chips.

⁷ The products we used were a Tobleron chocolate, a pack of Soft Kings cookies and Kraft's Lacta chocolate.

The mood induction phase

Mood induction procedures have been widely used by psychologists. Capra et al. (2010) gave a brief summary of the different methods used in the psychology literature. In this study we used experience of success/failure as our mood induction procedure, similar to what was used in many other studies (Barone, Miniard, and Romeo 2000; Swinyard 1993, 2003; Capra 2004; Capra, Lanier, and Meer 2010; Hill and Ward 1989; Curtis 2006). This method has been used and favored by psychologists because it involves direct experience of mood. Specifically, subjects in the mood induction treatments were given a MENSA test that has to be completed within 6 minutes. Half of the subjects received a 16-question *hard* MENSA test and half of the subjects received an *easy* MENSA test (the tests are available at <http://sites.google.com/site/moodauctions/>).

The questions were first *pretested* in an online survey with a convenience sample using snowballing methods. Subjects were randomly exposed to one of the two versions. After taking the MENSA test, we then measured subjects' moods (see next subsection). In the *online* hard version, the pretest subjects answered on average 4.5 questions correctly while in the *online* easy version, the pretest subjects answered 12.9 questions. Their scores were displayed right after the time to complete the test expired, along with a phrase stating that the average person between 18-55 years old answers about 10 questions correctly, that 95% of the people answer at least 6 questions correctly and that only 5% answer more than 12 questions correctly. Given subjects' scores in the two versions, this feedback immediately placed the average subject in the *hard* version to the low 5% of the population while the average subject in the easy version was placed at the top 5%. This way subjects in the hard version experienced failure and subjects in the easy version experienced success. In a sample of 49 subjects in the online pretest, the two versions of the test were adequate in inducing different levels of positive affect (the null of equal scores on the positive affect scale was highly rejected on a t-test with a p-value of 0.02).

While the procedure we discussed above is not new, has been validated, and has been used in several other studies (e.g., (Swinyard 1993; Barone, Miniard, and Romeo 2000; Swinyard 2003), we wish to discuss the inducement method further since provision of false feedback on subject's performance can be considered a form of deception. On a more pragmatic basis, this would be a problem if subjects were participating repeatedly in experiments since they would then develop a general expectation of deception (Hertwig and Ortmann 2001). However, all our subjects were naive subjects i.e., they have never participated before in an economic experiment or a survey organized by this university. In addition, it is necessary to involve some deception when inducing moods since

the use of a carefully designed theatrical display is needed (Baron 2001)⁸. Deception, however, makes it more difficult for future experimenters to induce subjects into believing in their stories. We are however not too concerned about this issue given that our lab policy is for subjects to participate in an economic experiment only once. In informal individual debriefings, we also asked our subjects what they thought about the various phases of the experiment and none of them mentioned the mood induction phase. Also, none of the authors was a professor of any of the subjects, which otherwise may have prevented students from stating their true state of mind regarding the procedures followed in the session. In our experiments, we informed all our subjects that the purpose of the test was to test their cognitive skills. Since we did not want subjects to associate different phases of the experiment and put the picture together, they were also told that the experiment they are participating in consists of sub-experiments that are not necessarily related to each other. Subjects that answered the hard version of the test scored significantly lower in the positive affect scale (discussed in the next paragraph). There was no significant difference between subjects with respect to the negative affect scale.

The mood measurement phase

To find ways to measure mood, we turned to the psychology literature for guidance. Watson and Vaidya (2003) provided a comprehensive overview of the dimensionality of the mood construct as well as on ways to measure its dimensions. Mood is usually depicted as a circular scheme with four bipolar dimensions that are spaced 45 degrees apart. The positive affect and negative affect dimensions are considered the most important measures of the higher order dimension.

The PANAS scale (Positive Affect Negative Affect Schedule; which was later subsumed into the PANAS-X) (Watson 1988) emerged as the standard measure of these constructs and has been widely used in the literature (Pocheptsova and Novemsky 2010; Bono and Ilies 2006; Pelled and Xin 1999; de Ruyter and Bloemer 1998; Pugh 2001). The terms comprising the PANAS-X Positive Affect scale are *active, alert, attentive, determined, enthusiastic, excited, inspired, interested, proud, and strong*; the items included in the Negative Affect scale are *afraid, ashamed, distressed, guilty, hostile, irritable, jittery, nervous, scared, and upset*. Subjects rated the extent to which they experienced each term right after inducement on a 5-point scale (1 = *very slightly or not at all*, 5 =

⁸ Another method for inducing moods is the use of film clips. However, an important limitation of the use of films is that there are no widely accepted sets of mood eliciting film stimuli, not to mention the challenge of finding film stimuli for culturally different or non-English speaking subjects. Also, use of film clips is still a form of deception since subjects are not told that films clips are shown to induce their moods. Subjects are instead told that they will be evaluating the films.

extremely). In the lab the order of appearance of these terms was completely randomized. The scale has been thoroughly tested for reliability and validity (see Watson and Vaidya 2003).

The preference reversal phase

This phase typically includes two tasks; a *choice* task and an *auction* task. In the *choice* task subjects indicated their preference for each of the two pairs of lotteries with the understanding that one pair would be randomly selected as binding. Table 2 presents the bet pairs with their probabilities and expected payoffs. The ordering of bet pairs was randomized across subjects to avoid order effects.

Bet pairs were adopted from Cox and Grether (1996). Each bet pair included a “P-bet” and a “\$-bet”. A P-bet lottery involves a bet with a high probability of winning a modest amount and a low probability of losing an even more modest amount. A \$-bet involves a bet with a modest probability of winning a large amount and a high probability of winning a modest amount. Typical preference reversal studies find that a significant fraction of subjects give prices that are opposite to the choices made out of the respective lotteries (see Seidl 2002 for a review of the literature). For bet pair 1, the bad outcome for the \$-bet is worse than that for the P-bet and the opposite is true for bet pair 2.

In the *auction* task, subjects bid on the same four lotteries shown in Table 2, indicating how much, if anything, they were willing to pay to buy each lottery. Lottery order was again randomized across subjects. Subjects repeated the bidding task for five consecutive rounds with the understanding that only one lottery and one round would be randomly chosen as binding. Between the rounds, subjects observed *only* the winner’s ID (2nd highest price was not posted).

The post-auction phase

Subjects provided information about their age, household size and income. Experimental instructions are available at <http://sites.google.com/site/moodauctions/>.

Econometric analysis

Was the mood induction successful?

Figure 1 displays kernel density estimates of the affect scores for positive and negative affect respectively. The vertical lines depict mean estimates of the scores per treatment.

Remember that a hard MENSA test aims to induce a negative mood to subjects and an easy MENSA test aims to induce a positive mood state through experience of failure and success, respectively. We are certain that subjects did experience success or failure given that those exposed to an easy MENSA test in the lab answered on average 12.9 questions correctly (out of 16) while those exposed to a hard MENSA test answered about 6 questions correctly.

It is obvious from panel A that the density function of positive affect for those exposed to the hard MENSA test is slightly shifted to the left implying lower scores for those exposed to the hard test. The density function of those exposed to the easy test has a slightly larger peak but is otherwise very close to the density function of the control group. One could tell a similar story based on the means (vertical lines) of the positive affect scores across treatments.

Panel B shows that both densities associated with the negative affect scores of those exposed to the easy and hard test are shifted right with respect to the control group. The density function of those exposed to the hard test is slightly more to the right but is practically indistinguishable from the density function of those exposed to an easy test. Comparing the means just reconfirms the above.

These results hold up in a regression context. We run separate regressions for the positive affect and negative affect scales which are depicted in Table 4. The list of covariates includes dummies for those exposed to the easy and hard MENSA tests (the Control treatments, where mood was not induced, serve as the base category). We used demographic variables as additional control variables. Variable description is exhibited in Table 3.

Results are in agreement with Figure 1. Subjects that were exposed to a *hard* test scored significantly lower in the positive affect scale compared to subjects in a control group and those who took the *easy* test by almost 4 points. No statistically significant differences are observed between those answering an easy test and those in the control group and in fact the difference is negligible. In all, it seems that our mood induction procedure was able to induce *lower* levels of positive affect to those that took the *hard* test.

On the other hand, both the *easy* and *hard* tests induced higher negative affect with respect to the control group by as much as 5 points which is also evident in Figure 1 where both density functions are shifted to the right. The *Hard* coefficient is larger than the *Easy* coefficient by one point (i.e., those exposed to a hard test had on average higher levels of negative affect) although their difference is not statistically significant. So why did both procedures induce higher negative affect? One explanation could be that the quiz-type procedure resembles exams that associate negatively with students' mood e.g., test anxiety. It is also important to remember that positive affect and negative affect are two dimensions of mood that can co-exist. The overall conclusion is that subjects that took the *hard* test had lower positive affect than subjects that took the *easy* test and there was no

statistically significant difference in their negative affect level. They also exhibited less positive affect and higher negative affect than the control group.

Subjects that took the easy test had no statistically significant difference on positive affect with the control group and they exhibited higher negative affect than the control group. They also exhibited similar negative affect levels with those subjects that took the hard test. Our mood induction procedures can therefore be considered successful when we compare results between the mood induction treatments.

Mood and subjects rationality

Assuming rationality, individuals' choices over two lotteries should rank lotteries the same way they are implicitly ranked when submitting bids to buy the lotteries in an experimental auction. Otherwise the subject commits a preference reversal. In Figure 2 the mean and median rates of a preference reversal is depicted when pooled across lotteries. Subjects that were induced into positive mood exhibit a smaller rate of committing a preference reversal both on average and on the median level. Preference reversals rates of the control group and those in the negative mood are almost identical at the median level and only marginally lower on average for the negative mood group (Figure 2, panel A) up to round 3.

The notion that both induced mood states reduce the rate of preference reversals is supported in the conditional analysis as well. To account for the panel nature of our data, we estimated a random parameters probit model, where the probability of observing a preference reversal is specified as:

$$\text{Prob}[y_t = 1] = F \left(\begin{array}{l} b_{0i} + b_{1i} \textit{Positive} + b_{2i} \textit{Negative} + b_{3i} t + b_{4i} \textit{Order} + b_{5i} \textit{FemalesTreat} \\ + b_{6i} \textit{MalesTreat} + b_{7i} \textit{TotFee} + b_8 \textit{Age} + b_9 \textit{Gender} + b_{10} \textit{HSize} + b_{11} \textit{Educ}_2 \\ + b_{12} \textit{Educ}_3 + b_{13} \textit{Educ}_4 + b_{14} \textit{Educ}_5 + b_{15} \textit{Income}_2 + b_{16} \textit{Income}_3 + b_{17} \textit{Income}_4 \end{array} \right) \quad (1)$$

where t is a time trend variable, *Positive* (*Negative*) is a dummy indicating whether subjects were induced into positive (negative) mood, *Order* is a dummy indicating the order of the preference reversal and risk preferences tasks, *FemTreat* and *MalTreat* are dummies indicating sessions that only females and only males participated, respectively (i.e., not mixed), *TotFee* is the total fee endowed to each subject (recall a portion of this fee was randomly determined) and F is the standard normal cumulative distribution function. The rest of the variables are described in Table 3.

The beta parameters in the random parameters probit model are formulated as $\mathbf{b}_i = \mathbf{b} + \mathbf{\Sigma} \mathbf{w}_i$, where \mathbf{b} is the fixed means of the distributions for the random parameters, $\mathbf{\Sigma}$ is a nonnegative

definite diagonal matrix of standard deviations and w_i is unobservable random term. For nonrandom parameters, some of the diagonal elements of Σ can be zero. Simulated Maximum Likelihood estimation (SML) can be used to estimate the model. The simulated log likelihood is maximized with respect to the elements of b_i and Σ . We allowed the treatment variables to be formulated as random and set the diagonal elements of Σ at zero for the rest of the variables.

Coefficient estimates of a probit model are not directly interpretable, so we estimated the marginal changes exhibited in Table 5. Limdep v9 was used in all estimation steps.⁹

Both bet pairs produce similar results in terms of the direction of the effect. Some differences are observed in terms of the magnitude of the coefficients. We find that both positive and negative mood decrease the probability of a preference reversal with respect to a control group by as much as 24.5%. Positive mood has a larger effect than negative mood as evident in both bet pairs. For example, in the high expected payoff bet pair those induced into a positive mood were 20.6% less likely to commit a preference reversal (compared to the group where mood was not induced) while those in a negative mood were 5% less likely to commit preference reversals. The two figures are much closer when it comes to the low expected payoff bet pair. However, a test of the hypothesis that the *Negative* coefficient is equal to the *Positive* coefficient is highly rejected for both bet pairs.¹⁰ The order of the tasks did not have any effect on preference reversals given that the respective coefficients are neither economically or statistically significant. We find significant gender effects when comparing sessions that were conducted with females (males) only and mixed sessions. Females, in the gender-specific sessions were 30.7% to 53% more likely to commit a preference reversal with respect to the mixed sessions, while males in the gender-specific sessions were 6.4% less likely to commit a preference reversal. However, the gender variable is positive which means that on average males were more likely to commit a preference reversal. Therefore, in terms of subjects' rationality and given that rationality is a key assumption of economic theory, mixed sessions were less beneficial for males but more beneficial for females in the sense that female (but not male) subjects were more in line with preference theory. Various demographic effects are also evident in Table 5.

⁹ The random parameters models are favored in both cases (bet pairs) as compared to a random effects model based on the results from Likelihood Ratios tests ($LR_{High}=41.12$, p-value=0.00, $LR_{Low}=25.56$, p-value=0.00).

¹⁰ To test for this hypothesis we imposed a linear restriction of the form $b_{Positive}=b_{Negative}$ and conducted a LR test ($LR_{High}=10.31$, p-value=0.00, $LR_{Low}=8.50$, p-value=0.00).

Mood and bidding behavior

The average and median bids pooled over lotteries are exhibited in Figure 3. Subjects under positive mood bid lower than those under negative mood and the control group, both at the mean and median level as evident in panels A and B. The difference grows across rounds and by round 5 the bids of the control group and those induced into positive mood differ by almost 0.60€ at the mean level and 0.55€ at the median level. Those under negative mood bid marginally lower than the control group and the differences are practically indistinguishable at the median level. Bids tend to increase across rounds.

Table 6 shows results from estimating random parameters tobit models. We used tobit models to account for the censoring of the dependent variable. The specification is similar to the one we used for the probit models.

LR tests are in favor of the random coefficient model vis-à-vis the random effects models.¹¹ Results are qualitatively the same across lotteries although there are some notable differences. This is the reason why we also estimated a pooled model. The last column exhibits results from estimating a tobit model pooled across lotteries. Instead of using lottery dummies we used variables indicating probability of winning a positive amount of money (*ProbWin*), maximum amount of win (*MaxWin*) and maximum amount of loss (*MaxLoss*).

With respect to the treatment variables, positive mood has a negative statistically significant effect across lotteries. Subjects under positive mood were bidding €0.43 to €0.64 less than the control group (€0.61 for the pooled model). Subjects under negative mood bid lower than the control group for the low expected payoff lotteries (C and D) and bid more for one of the high expected payoff lotteries (B). Bids from these subjects exhibit no statistically significant difference with respect to lottery A. The pooled model shows that subjects under negative mood bid €0.25 less than the control group. We tested for equality of the *Positive* and *Negative* coefficients and the null was rejected in all cases.¹² The results for lotteries C, D and the pooled model are similar to Capra et al. (2010). A major difference however, it that we find stronger effects than they reported.

The time trend variable (rounds) is positive and statistically significant indicating that subjects increase bids across rounds by as much as 0.16€ per round (lottery D). Females that were bidding on the gender-specific session bid higher over all lotteries (as compared to the mixed sessions) while males that participated in the gender-specific session bid higher for 3 out of 4 lotteries, and lower for one lottery. Bids were significantly higher in the gender-specific sessions

¹¹ $LR_{LotA}=62.9$ (p-value=0.00), $LR_{LotB}=88.3$ (p-value=0.00), $LR_{LotC}=40.9$ (p-value=0.00), $LR_{LotD}=149.6$ (p-value=0.00), $LR_{Pooled}=76.52$ (p-value=0.00)

¹² $LR_A=7.77$ (p-value=0.00), $LR_B=4.95$ (p-value=0.02), $LR_C=5.73$ (p-value=0.02), $LR_D=15.00$ (p-value=0.00), $LR_{Pooled}=48.92$ (p-value=0.00)

than the mixed session as indicated by the magnitude of the coefficients. In all, it appears that bids in mixed gender sessions tend to be lower than bids in gender-specific sessions. Total money endowment (*TotFee*) has a significant effect as well, although the direction of the effect differs across lotteries. However, the magnitude of the effect is not substantial in every case. For lottery B the coefficient indicates that for every € endowed to the subject s/he will bid almost 18% of it in the auction while for lottery A only 5% of it. For other lotteries the effect is close to zero. It looks like the effect of money endowment cancels out in the pooled model and is close to zero.

Several demographics effects are also evident in Table 6. For example males bid more than females for one of the high expected payoff lotteries (for lottery A by as much as €0.22) but bid less for the low expected payoff lotteries (for C and D lotteries by as much as €0.51).

Discussion and conclusions

Compared to other social sciences (e.g., the marketing literature) which have long recognized the importance of mood states on individual decision making, the economics profession has been relatively slower in accommodating psychological insights related to mood states. As Rabin (2002) puts it in his discussion about behavioral economics, “prominent skeptics have predicted that interest in the area will peter out as researchers realize that this latest craze offers little value”. It is perhaps this skepticism over what may turn out to be a fad that makes many economists reluctant to bringing psychological insights into economics. However, the growing area of behavioral economics is testament to the increasing influence of psychological concepts in economic studies.

As far as we know, our paper is just the third paper in the field of economics that addresses the effect of positive and negative moods on decision making processes in laboratory auction settings. While we addressed the effect of mood states on bidding behavior (i.e., WTP) similar to the other two studies (i.e., Capra, Lanier, and Meer 2010; Lerner, Small, and Loewenstein 2004), we also focused on an issue that has not been examined: the effect of mood states on subject’s rationality as represented by rate of preference reversal. Interestingly, we find that both positive and negative mood states induce subjects to being more “rational” (i.e., being less likely to commit a preference reversal) as compared to a control group (i.e., neutral mood) by as much as 24.5%. Admittedly, this finding is puzzling since it suggests that it would be better to have subjects with positive or negative moods than neutral moods at all. However, our results also suggest that positive mood has a larger negative effect on the probability of preference reversals; that is subjects exhibit more rational behavior under a positive mood state than under a negative mood state. So why does positive mood generate more rational behavior than negative mood and neutral mood? It is possible that negative or neutral mood makes people become less engaged on the task or it affected their

performance. In fact, Miner and Glomb (2010) found that positive mood is associated with improved task performance and Jordan and Lawrence (2006) related negative mood to negative performance. In contrast to our finding, however, Capra et al. (2010) found that positive mood generates biases in decision-making while negative mood provides biases not different from neutral mood. The reason for the difference in the results is not clear. However, they tested the impact of mood on the effectiveness of the auction mechanism while we analyzed moods on the rate of preference reversal.

We also explored how subjects bid on a homegrown value good (i.e., lotteries) under different mood states. This is in essence a reinvestigation of Capra et al. (2010) which used different homegrown value goods (lotteries vs. movie tickets) and different elicitation mechanisms (2nd price auction vs. random nth price auction). We generally find stronger mood effects than they did. Specifically, subjects in a positive mood state bid lower values than others (subjects bid lower as much as 0.65€ for one of the lotteries) while negative mood has different effects, depending on the expected value of the lottery. It is possible that positive mood inhibits competitiveness while negative mood enhances competitiveness. Our results are stronger than Capra et al.'s (2010) finding of weak mood effects, and consistent with what psychologists have generally found – that negative mood provides higher valuations than positive mood.

The two results of our study on preference reversals and bidding behavior should however not be viewed in isolation. For example, positive mood states have a strong negative effect on lottery valuation. The magnitude of the effect is however different across lotteries. It is then possible that mood states affect the relative valuation of the lotteries, consisting of the bet pair, which in turn affects the rate of preference reversals. It is not necessary that mood states changes preferences per se. Perhaps mood states put a cost on overpricing certain lotteries similar to what happens in situations with market-like arbitrage (Gunnarsson, Shogren, and Cherry 2003).

It is worth noting that Lerner et al. (2004) when they induced subjects in what they call “sad” state (similar to our negative mood state) observed a reverse endowment effect; that is choice prices (somewhat different to buying prices) are higher than selling prices. In addition, choice prices were higher than the control treatment and selling prices were lower than the control treatment. The positive effect on valuations is in contrast to both our study and Capra et al. (2010). One could also claim that perhaps mood states altered risk preferences which in turn may have made some lotteries more or less attractive. However, consistent with Walser and Eckel (2010), we found using some additional data we collected (Drichoutis and Nayga, 2010) that mood does not affect risk preferences. Capra et al. (2010) found similar effects (albeit weaker) on homegrown value auctions using movie tickets (and not lotteries). Hence, we claim that changes in bids could not have been due to changes in risk aversion.

Another interesting finding we discovered from this study is that regardless of mood states, males tend to commit a higher rate of preference reversal than females in mixed gender sessions. However, females tend to commit higher rate of preference reversal in female only sessions than in mixed sessions while males tend to commit a lower rate of preference reversal when in male only sessions than in mixed sessions.

As evident in our discussion above, there are many aspects of mood behavior that still needs to be analyzed with regards to their effects on economic decision making. This topic could indeed be a prime area for future behavioral economics research. It remains to be seen though if this line of research will influence economics on a long-term basis. Having said this, we think that economists may be able to utilize this line of research when addressing standard economic questions using standard economic methods that are not based solely on a particular set of assumption that are often not supported by behavioral evidence (Rabin 2002).

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Table 1. Experimental design

Treatments	Mood inducement	Subject pool	Order of Tasks
1	Yes, Positive-Negative	Mixed	Preference Reversals – Risk Preferences
2	Yes, Positive-Negative	Mixed	Risk Preferences – Preference Reversals
3	No	Mixed	Preference Reversals – Risk Preferences
4	No	Mixed	Risk Preferences – Preference Reversals
5	Yes, Positive-Negative	Females	Preference Reversals – Risk Preferences
6	Yes, Positive-Negative	Males	Preference Reversals – Risk Preferences

Table 2. Lotteries used in the experiment

Lottery	Bet type	Bet pair	Probability of	Amount of	Probability of	Amount of	Expected payoff
			win	win	loss	loss	
A	P-bet	1	90%	4	10%	1	3.50
B	\$-bet		28%	16	72%	1.5	3.40
C	P-bet	2	75%	2	25%	1	1.25
D	\$-bet		18%	9	82%	0.5	1.21

Table 3. Variable description

Variable	Variable description	Mean	SD
<i>Age</i>	Subject's Age	20.614	1.673
<i>Gender</i>	Dummy, 1=male	0.416	0.495
<i>Hsize</i>	Household size	4.307	0.997
<i>Educ₁*</i>	Dummy, 1st year student	0.198	0.400
<i>Educ₂</i>	Dummy, 2nd year student	0.129	0.337
<i>Educ₃</i>	Dummy, 3rd year student	0.366	0.484
<i>Educ₄</i>	Dummy, 4th year student	0.168	0.376
<i>Educ₅</i>	Dummy, 5th year student	0.139	0.347
<i>Income₁*</i>	Dummy, Household's economic position is good, very good or above average	0.059	0.238
<i>Income₂</i>	Dummy, Household's economic position is average	0.515	0.502
<i>Income₃</i>	Dummy, Household's economic position is below average	0.208	0.408
<i>Income₄</i>	Dummy, Household's economic position is bad or very bad	0.218	0.415
<i>Positive (Hard)</i>	Dummy, Subject is induced into positive mood (exposed to hard MENSA test)	0.337	0.475
<i>Negative (Easy)</i>	Dummy, Subject is induced into negative mood (exposed to easy MENSA test)	0.356	0.481
<i>Control*</i>	Dummy, Subject's mood is not induced	0.307	0.464
<i>T</i>	Time trend (Round)	3.000	1.415
<i>Order</i>	Dummy, Preference reversal task is conducted first	0.663	0.475
<i>FemTreat</i>	Dummy, only females in the session	0.178	0.385
<i>MalTreat</i>	Dummy, only males in the session	0.168	0.376
<i>Mixed*</i>	Dummy, mixed gender sessions	0.653	0.478
<i>TotFee</i>	Total money endowment	17.208	1.219

* Removed from estimations.

Table 4. Regression results for positive and negative affect

	Positive affect		Negative affect	
	Coef.	Std.Error	Coef.	Std.Error
<i>Constant</i>	43.577**	17.847	45.698***	13.765
<i>Easy</i>	0.549	1.711	3.917***	1.319
<i>Hard</i>	-3.776**	1.703	5.013***	1.313
<i>Age</i>	-0.078	0.944	-1.796**	0.728
<i>Gender</i>	0.566	1.394	2.277**	1.075
<i>Hsize</i>	-0.187	0.671	-0.325	0.518
<i>Educ₂</i>	-1.287	2.485	0.908	1.916
<i>Educ₃</i>	-3.092	2.756	3.779*	2.126
<i>Educ₄</i>	-2.239	3.858	5.124*	2.976
<i>Educ₅</i>	-1.917	4.926	7.057*	3.799
<i>Income₂</i>	-4.826	2.990	1.320	2.306
<i>Income₃</i>	-5.018	3.187	3.394	2.458
<i>Income₄</i>	-0.334	3.164	0.387	2.440
R-squared	0.187		0.254	
Adj. R-squared	0.076		0.153	

Note: ***, **, * = Significance at 1%, 5%, 10% level.

Table 5. Marginal effects and discrete changes (Probit models)

		High expected payoff		Low expected payoff	
		bet pair		bet pair	
		Coef.	Std.Error	Coef.	Std.Error
Non-random	<i>Age</i>	0.009	0.007	0.005	0.035
	<i>Gender</i>	0.075*	0.041	0.338***	0.074
	<i>Hsize</i>	-0.015***	0.005	-0.067**	0.027
	<i>Educ₂</i>	-0.017**	0.007	-0.083	0.060
	<i>Educ₃</i>	0.095	0.069	0.045	0.105
	<i>Educ₄</i>	0.012	0.041	-0.159**	0.066
	<i>Educ₅</i>	0.501	0.355	0.039	0.220
	<i>Income₂</i>	0.057	0.051	-0.677***	0.079
	<i>Income₃</i>	0.106	0.131	-0.258***	0.037
	<i>Income₄</i>	0.382	0.242	-0.287***	0.039
Random	<i>Positive</i>	-0.206***	0.050	-0.245***	0.047
	<i>Negative</i>	-0.050***	0.017	-0.228***	0.050
	<i>T</i>	0.004	0.004	-0.030**	0.014
	<i>Order</i>	-0.042	0.027	-0.005	0.057
	<i>FemTreat</i>	0.307**	0.143	0.529***	0.117
	<i>MalTreat</i>	-0.064***	0.018	-0.040	0.079
	<i>TotFee</i>	0.005	0.005	0.003	0.018

Note: ***, **, * = Significance at 1%, 5%, 10% level.

Table 6. Marginal effects and discrete changes (Tobit models)

	Lottery A		Lottery B		Lottery C		Lottery D		Pooled over lotteries	
	Std.		Std.		Std.		Std.		Std.	
	Coef.	Error	Coef.	Error	Coef.	Error	Coef.	Error	Coef.	Error
<i>Age</i>	0.031	0.033	-0.080**	0.039	-0.108***	0.024	0.107***	0.033	0.014	0.019
<i>Gender</i>	0.226***	0.062	0.089	0.067	-0.206***	0.042	-0.511***	0.060	-0.019	0.036
<i>HSize</i>	-0.026	0.024	0.263***	0.026	-0.086***	0.016	0.010	0.022	0.060***	0.014
<i>Educ₂</i>	-0.006	0.090	-0.081	0.097	-0.069	0.063	-0.206**	0.085	-0.041	0.053
<i>Educ₃</i>	-0.123	0.101	0.722***	0.115	0.247***	0.074	-0.459***	0.098	-0.121**	0.060
<i>Educ₄</i>	-0.039	0.147	0.890***	0.165	0.066	0.104	-0.544***	0.130	-0.065	0.087
<i>Educ₅</i>	-0.449***	0.173	0.278	0.208	0.580***	0.131	-1.015***	0.097	-0.147	0.105
<i>Income₂</i>	0.326***	0.114	-0.793***	0.106	-0.259***	0.084	-0.373***	0.096	-0.346***	0.060
<i>Income₃</i>	0.857***	0.123	-0.287**	0.115	0.198**	0.091	-0.100	0.105	0.077	0.063
<i>Income₄</i>	0.426***	0.120	-0.447***	0.107	-0.204**	0.084	-0.689***	0.091	-0.233***	0.063
<i>ProbWin</i>	-	-	-	-	-	-	-	-	3.560***	0.204
<i>MaxWin</i>	-	-	-	-	-	-	-	-	0.213***	0.013
<i>MaxLoss</i>	-	-	-	-	-	-	-	-	-1.595***	0.108
<i>Positive</i>	-0.430***	0.068	-0.518***	0.073	-0.647***	0.037	-0.541***	0.064	-0.614***	0.050
<i>Negative</i>	-0.100	0.067	0.257***	0.072	-0.274***	0.044	-0.199***	0.065	-0.250***	0.040
<i>t</i>	0.137***	0.015	0.136***	0.017	0.051***	0.011	0.156***	0.014	0.113***	0.010

<i>Order</i>	-0.374***	0.058	0.459***	0.062	-0.163***	0.040	0.478***	0.054	0.156***	0.034
<i>FemTreat</i>	0.164**	0.082	0.279***	0.090	0.496***	0.060	0.292***	0.077	0.328***	0.050
<i>MalTreat</i>	0.413***	0.092	-0.717***	0.090	0.277***	0.066	0.537***	0.094	-0.013	0.055
<i>TotFee</i>	-0.047**	0.020	0.178***	0.022	-0.018	0.014	0.117***	0.019	-0.009	0.012

Note: ***, **, * = Significance at 1%, 5%, 10% level.

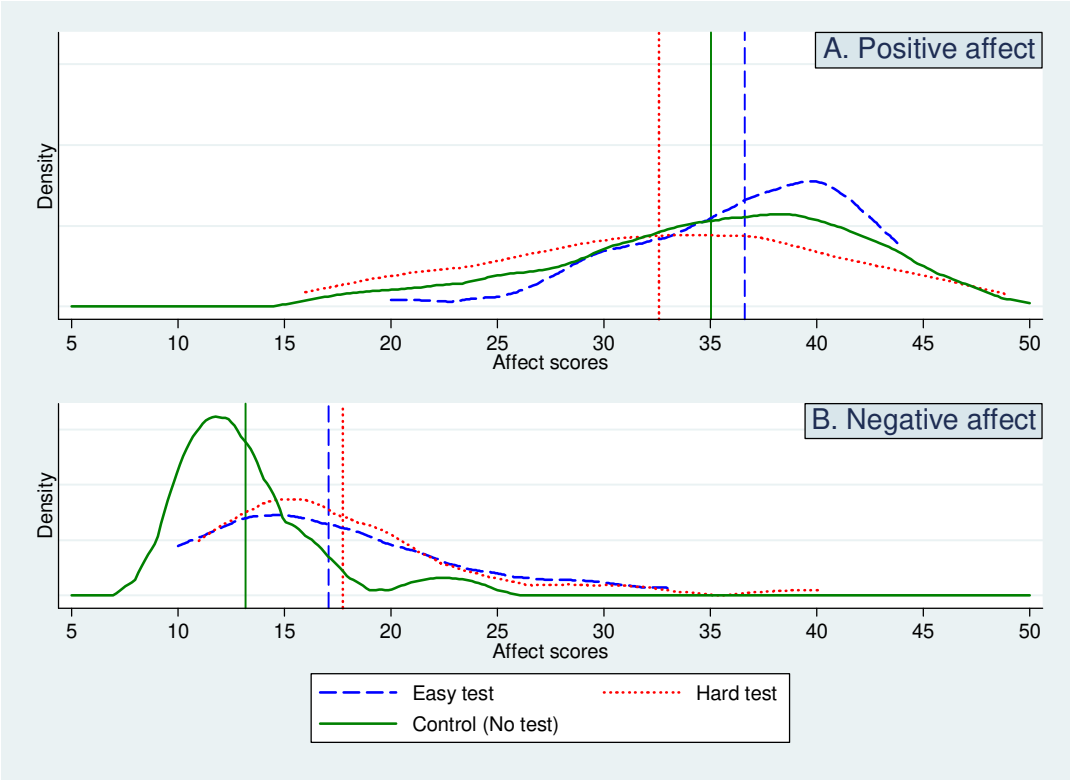


Figure 1. Kernel density estimates for affect scores

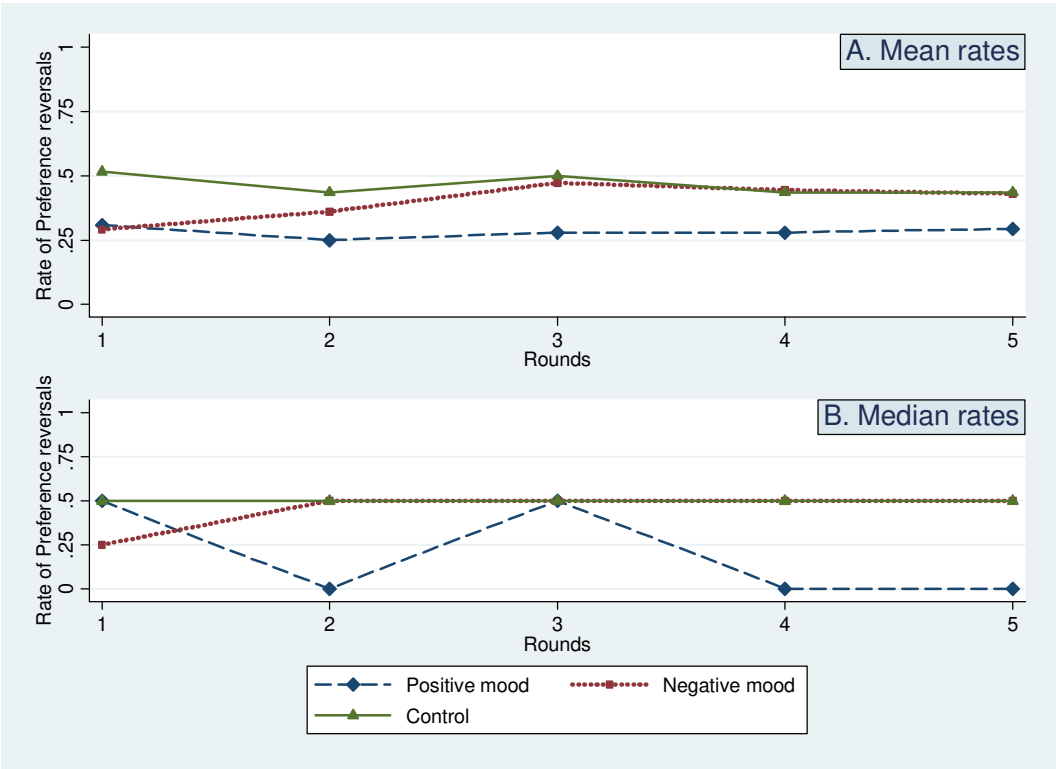


Figure 2. Average and median rates of a preference reversal pooled over bet pairs

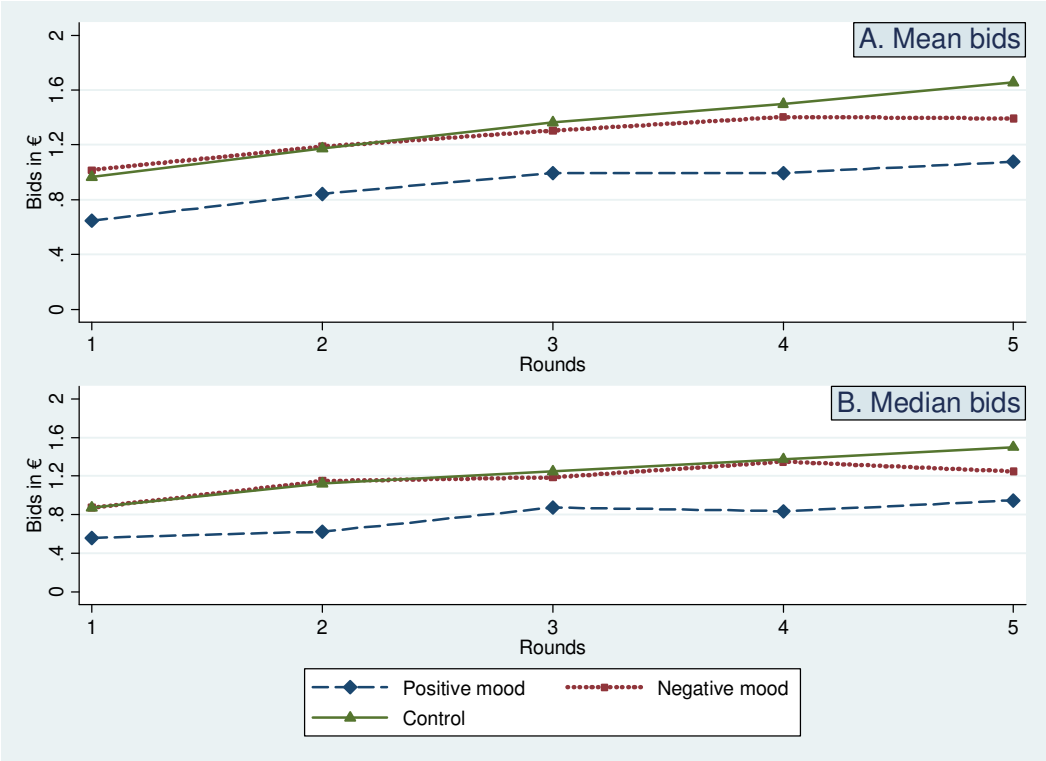


Figure 3. Average and median bids pooled over lotteries