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John List

WHY PEOPLE BEHAVE LIKE THAT?

"The usual way that scientists do things is that they have an idea. They then race back to their office. They proceed to write down a theory. When I have an idea, I race back to my office and I think about how I can go out in the real world and use real people in real situations to be experimental subjects to field test my theory."

Telos: 'My passion is using field experiments to explore economic questions'. This is how you introduce your method of research. Testing economic theories may sound as a blasphemy. Could you please explain how it works and tell us how your fellow colleagues react to your approach?

John List: When you think about empirical work in the social sciences, the usual way that scientists do things is that they have an idea. They then race back to their office. They proceed to write down a theory. Then they download data that the world gives them and they beat up the data to say something causal based on the assumptions of their statistical model. The research approach in Freakonomics is a recent example of this style.
My research is fundamentally different. When I have an idea, I race back to my office and I think about how I can go out in the real world and use real people in real situations to be experimental subjects to field test my theory. I use randomization - assigning people randomly to control groups and treatment groups - to establish causality, which is the gold standard in the sciences.
Take the question of discrimination as an example. Economists have two main theories: people discriminate because they don't like each other (called a taste for discrimination) or because they want to make more money (called statistical discrimination). For years, scientists have used mounds and mounds of data to explore these theories. What those studies show is that there is discrimination in the world, particularly in labor markets, housing markets, and credit markets. But what those studies *have great difficulty* showing is the underlying motivation - or cause - for the discrimination. Which theory is correct?
My field experiments can answer that query. We put real people in real situations to see what happens. What we found is that discrimination in today's world is typically statistical discrimination, meaning people charge different prices to different people so they can make more money. We see that with Internet companies, airline companies, and credit card companies. It's ubiquitous. But, now we can use this information to help policymakers craft legislation to tackle this kind of discrimination.
Does that make field experiments blasphemous? Absolutely not. A key manner in which scientists can refute or accept theories is to go out and generate data. I think field experiments are optimally situated to do just that. The top scholars in the world understand and appreciate the data that field experiments bring to economic science and to the social sciences more generally.

Another important area of your research is charitable fundraising. In your studies, you describe some hidden, and not really edifying aspect, of the human behaviour, but you also indicate a way to solve or at least minimise the issues of managing the charity sums. Could you give us a brief account of both problems and solutions?

The running theme over the course of humankind, from the earliest philosophers to modern day religion, suggests that altruism is the underlying motivation for charitable giving. At roughly two percent of annual GDP in the U.S., charitable giving is an important part of our economy. Almost every charity believes that altruism is the reason people give money. But it turns out that altruism is not all that important. What drives charitable giving is that it makes ourselves feel good - a selfish reason!
When I first became involved in the economics of charity in 1998, there was little data to support best practices on how to raise money. Having been asked to raise capital for a new university center, I decided to run it as a field experiment. Since then, I've partnered with charitable organizations around the world to figure out the science of giving and how to enhance the donor pool. We test which economic models explain and best predict behavior, and which models practitioners need to use to not only get more people to give, but to get them to give more and to make them happier.
What we found is that when we appeal to people to think about how good they will feel when they give, as opposed to how many children they will help for example, we raise much more money. So we've been able to put our research to good use and make the world a better place.

'Voting to tell others' is a recent research of yours where you try to answer to the question as why people vote. The problem of low turnouts is central in today's political life worldwide. What are your conclusions?

Yes, as we just learned in the States, the act of voting can be very important! Unlike the standard pivotal voter theory, which says people vote because they believe they can affect the outcome, or the instrumental voter who derives satisfaction from voting, our theory gets more at social image. By redefining voting as a signaling model, we discovered that a large fraction of people vote so they can tell others that they did. Our theory is that people know that after an election they might be asked if they voted and are therefore faced with two choices if they want to send a signal that they voted: lie or vote. We field tested this and discovered that the average lie costs roughly $3.50 and that nearly two-thirds of voters voted to tell others. When we applied this to a "Get Out the Vote" program, the same held true. We went to households the weekend before the election and told them we'd be back the following weekend to talk about it. Those households voted more often. So this gives us a new explanation for why people vote and a deeper understanding of how to increase voter turnout.

Your personal story is a real American dream. Raised as a trucker's son and shortlisted for a Nobel Prize in 2015 by Reuters. What happened in between?

Here's what happened. My first dream was to be become a professional golfer. That's mainly why I went to college. I had a partial golf scholarship. I learned three important things in college. First, I learned that I didn't have the skill and talent to be a professional golfer. Second, I realized how much I loved economics. And third, I understood that economists were not experimentalists by and large. When I went to graduate school in 1992, I started running field experiments but the rough reality early on was that my ideas were not well received. I wrote my first paper with very little fanfare, and received a bunch of negative reports from colleagues about my field experiments. Then, when I entered the job market I applied to 150 schools and only received one interview! Not a resounding success. Luckily, that that one interview turned into my first job as an assistant professor at the University of Central Florida. From there, I went to teach at the University of Arizona and the University of Maryland and later worked on the Council of Economic Advisors at the White House.
Around 2004, some economics schools started to call me. I decided to come to the University of Chicago because it was the best place for me to grow as a scholar and to push the importance of field experiments. And, more importantly, it's been the best place for me to make an impact on society. My entire research agenda is built on the *whys* of the important social issues we face: Why do schools fail? Why do women earn less than men in labor markets? Why do students drop out of high school? Why don't we invest in energy-saving technologies? Why do people discriminate? I don't know if my life is the American dream, but it has certainly traversed quite diverse terrain.

Marco Sonsini

Editorial

John List has a passion. What an intriguing interview this must be! Well… His passion is using field experiments to explore economic issues. Disappointed? You should not be. In the mid-1990s List, who believed that experimental work had provided unique insights into human behaviour, began conducting experiments of his own, but in the real life rather than in the lab. By setting up carefully designed experiments with people performing tasks they are used to doing as part of their daily lives, List has been able to test how people behave in natural settings, and whether that behaviour is consistent with economic theory. List's field experiments, like Smith's lab experiments, were initially greeted with scepticism by many economists, but that has changed over time. His passion is to give and answer to all the *whys* of the important social issues of our time. What a task! However he managed to find many of those answers. To find data for his field experiments he made use of a variety of sources. Just to mention a few: charitable fundraising activities, the Chicago Board of Trade, Costa Rican CEOs, the new automobile market, sports memorabilia markets, coin markets, auto repair markets, open air markets located throughout the globe, various venues on the Internet, several auction settings, shopping malls, various labour markets, and grammar and high schools. To learn what? The hidden motivation behind our behaviour. Are you interested again? John List is a rebel, even though he just wanted to become a professional golfer (well that's a passion!). His ideas and methods for revealing what really works in addressing big social, business, and economic problems gives us new understanding of the motives underlying human behaviour. We can then structure incentives that can get people to move mountains, or at least… get a better deal. His surprising and crucial findings about how incentives actually work are both revolutionary and immensely practical. Instead of relying on assumptions, Lists finds out, through evidence, what really works, and reaches a deeper, nuanced understanding of human behaviour, and a better understanding of what motivates people and why. The key to his success is: never accept a theory if it is not substantiated by empirical research.
A final remark. To the politician who is facing coming up elections. List knows why people vote, and know how to make them go to vote. His research *Voting to tell others* is pivotal in understanding the reasons behind a low turnout. *Superinteresting*!

John List received his PhD from the University of Wyoming and is currently the Kenneth C. Griffin Distinguished Service Professor of Economics at the University of Chicago after holding positions at the University of Central Florida, the University of Arizona and the University of Maryland. Prof. List has been at the forefront of environmental economics and has served as senior economist on the President's Council of Economic Advisors for Environmental and Resource Economics. He is also a Research Associate at the National Bureau of Economic Research, a Research Fellow at the Institute for the Study of Labor (IZA), and a University Fellow at Tilburg University in the Netherlands. However, List is best known as one of the world's leading experts on experimental economics. He received the Kenneth Galbraith Award in 2010 and the 2008 Arrow Prize for Senior Economists for his research on Behavioural Economics through field experiments.
In 2013, he published, together with Uri Gneezy, The Why Axis: Hidden Motives and the Undiscovered Economics of Everyday Life
His website is amazing… In there you will find various areas that his research has touched. You just have to click on the funniest images ever, to see his research. Check it out here
List, along with Chicago economist Steven Levitt and Harvard economist Roland Fryer, and funded by Chicago philanthropists Kenneth and Anne Griffin, has established the Griffin Early Childhood Centre. This program focuses on understanding how best to educate the nation's youth. Additionally, List continues to be active in the field of environmental economics with recent field experiments on environmental technology adoption. When he was a kid, he used to buy sports cards at the local grocery

store from the money he made cutting the neighbour's grass, shovelling snow, and delivering newspapers. Over time, he amassed a huge collection and started to buy, sell and trade them at the big conventions. When he was in college and had to fund his own research, he decided to test economic theory while doing his hobby. His first several papers were all about bargaining and market structure and discrimination at sports card shows. He is still a sports card enthusiast, but he spends most of his free time coaching his children's athletic teams nowadays.

Marco Sonsini
