

# How (not) to take a decision: Belief-dependent Preferences in Procedural Games

by

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**Abstract:** Psychologists and experimental economists find that people's behavior is shaped not only by outcomes but also by the procedures through which these outcomes are reached. Using Psychological Game Theory we develop a general framework allowing players to be motivated by procedural concerns. Subsequently we present two areas in which procedural concerns have a pervasive influence. First, we apply our framework to policy experiments and show that if subjects exhibit procedural concerns, the experimental results are influenced by the way in which researchers allocate subjects into treatment and control groups. Interestingly, the estimate of the treatment effect is always biased as compared to the effect of a general introduction of the treatment. In a second application we analyze the problem of appointing agents into jobs that differ in terms of their desirability. We find that due to procedural concerns the principal's choice of appointment procedure is crucial for the subsequent effort choice of agents. We test this theoretical hypothesis in a field experiment. The results are consistent with our predictions.