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Education

2007-2012 (exp.) Ph.D. Economics, University of California, Berkeley
Advisor: John Morgan
Other References: David Card, Stefano DellaVigna, Steven Tadelis
2003-2007 B.A. Economics (with honors), Yale University

Fields

Labor Economics, Behavioral Economics, Applied Microeconomics

Research

Job Market Paper

Training Contracts, Worker Overconfidence, and the Provision of Firm-Sponsored General Training, November 2011

Training by firms is a central means by which workers accumulate human capital, yet firms may be reluctant to train if workers can quit and use their gained skills elsewhere. "Training contracts" that impose a penalty for premature quitting can help alleviate this inefficiency. This paper studies training contracts in the U.S. trucking industry where they are widely used, focusing on data from one leading firm. Exploiting two plausibly exogenous contract changes that introduced penalties for quitting, I confirm that training contracts significantly reduce quitting. To analyze the optimal design of training contracts and their welfare consequences, I develop and estimate a structural learning model with heterogeneous beliefs that accounts for many key features of the data. The estimation combines weekly productivity data with weekly subjective productivity forecasts for each worker and reveals a pattern of persistent overconfidence whereby many workers believe they will achieve higher productivity than they actually attain. If workers are overconfident about their productivity at the firm relative to their outside option, they will be less likely to quit and more likely to sign training contracts. Counterfactual analysis shows that workers' estimated overconfidence increases firm profits by over \$7,000 per truck, but reduces worker welfare by 1.5%. Banning training contracts decreases profits by \$4,600 per truck and decreases retention by 25%, but increases worker welfare by 4%. Despite the positive effect of training contracts on profits, training may not be profitable unless some workers are overconfident.

Publications

Does Higher Income Make You More Altruistic? Evidence from the Holocaust, *Review of Economics and Statistics*, August 2011, Vol. 93, pp. 876-887.

Working Papers

Overconfidence at Work and the Evolution of Beliefs: Evidence from a Field Experiment, November 2011

A robust finding in experimental psychology and economics is that people tend to be overconfident about their ability. However, much less is known about whether overconfidence can be reduced or eliminated, particularly in field settings. This paper provides new evidence using data from the workplace. A field experiment with a large trucking firm shows that workers tend to systematically overpredict their productivity and that their overconfidence is unaffected by whether workers receive financial incentives of different sizes for accurate guessing.

Randomly informing workers about other workers' overconfidence reduces overconfidence in the short-run, but the effect fades within two weeks. Neither the incentives or information treatments have any effect on worker satisfaction or search behavior. Using long-term survey data from a second firm, I show that experience reduces overconfidence, but only quite slowly. Although workers at both firms exhibit aspects of Bayesian updating, overconfidence appears to be sticky and difficult to change.

How is Information (Under-) Valued? Evidence from Framed Field Experiments, July 2011. -Revise and Resubmit, *The Economic Journal*

Rational endogenous information acquisition plays a key role in many economic models. This assumption may be violated, however, if agents are overconfident about their knowledge. Using a novel field experiment implemented with businesspeople expert subjects, I show that overconfidence is associated with a lower demand for information, but that overconfidence is unlikely to provide a full explanation for suboptimal information investment. Even if the value of information is adjusted to account for subjects' overconfidence and subjects' tendency to sometimes misuse information, subjects still underpay for information.

Who's Naughty? Who's Nice? Social Preferences in Online Industries (with John Morgan), July 2011. -Submitted

Work in Progress

Lock Them In: The Impact of Training Contracts on Police Officers (with Sarath Sanga)

Police officers are often paid full salary to attend police academy for six months. Since the skills acquired are mostly general, there may be significant opportunity for hold-up. One way to reduce this problem is to use training contracts which penalize workers for quitting. In work in progress, we study how the introduction of a training contract in a large urban police force affected worker retention, worker selection, and worker performance.

One in a Million: A Field Experiment on Belief Formation and Pivotal Voting (with John Morgan)

Voter beliefs about the closeness of an election are at the core of many models of voting, yet little is known about how voters form beliefs. During the 2010 midterm elections, we randomly provided 16,000 voters with different information about the closeness of the elections, exploiting large differences across polls. In work in progress, we find three main results: (1) Voters dramatically over-estimate the probability of a close election, (2) Voters adjust their beliefs in response to new information, and (3) Beliefs appear to have very limited impact on actual voting decisions.

Teaching and Research Assistance

Business Strategy (MBA), Spring 2011, Teaching Assistant for Gregory LaBlanc.

Summer 2010, Summer Associate at RAND Corporation, research with Beth Asch and Jim Hosek on structural modeling of military turnover.

Summer 2008, Research Assistant for David Card.

Visits

Fall 2009 Price Theory Scholar, University of Chicago GSB

Honors, Awards, & Fellowships

2011-2012 Kauffman Foundation Dissertation Award
 2011 Initiative for Computational Economics participant
 2011 Graduate Division Summer Award
 2010-2011 Dean's Normative Time Fellowship, UC Berkeley
 2008-2010 National Science Foundation IGERT Fellowship
 2008-2009 Department of Homeland Security Graduate Fellowship (declined)
 2007-2011 UC Berkeley Departmental Fellowship

Research Grants

2011 National Science Foundation Dissertation Completion Award
 2011 Net Institute Grant
 2011 Burch Center for Tax Policy and Public Finance Research Grant
 2011 Center for Equitable Growth Research Grant
 2011 Center of Evaluation for Global Action Small Grant
 2010 Burch Center for Tax Policy and Public Finance Research Grant
 2010 Center for Equitable Growth Research Grant
 2009 Institute for Business and Economic Research Project Grant, UC Berkeley
 2009 Russell Sage Foundation Behavioral Small Grant

Invited Presentations (Outside of UC Berkeley)

2011: Stanford Institute on Theoretical Economics, North American Summer Meeting of the Econometric Society, University of Chicago Micro Lunch, Chicago-Argonne Initiative for Computational Economics (poster), Midwest Political Science Association.

2010: RAND Labor and Population Brownbag, Washington University Graduate Conference, Economic Science Association (Tucson).

2009: Yale Whitebox Advisors Conference, University of Chicago Micro Lunch, University of Chicago Labor Working Group.

Miscellaneous

Reviewer for: *American Economic Review*, *Journal of the European Economic Association*, *Industrial Relations*

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