

Dr. Erte Xiao's research integrates psychology, economics and experimental methods to shed light on important human behaviors including punishment, fairness, cooperation and trust. Her research focuses on: (i) why people punish; (ii) how and why punishment can sometimes fail to promote cooperative economic exchange; and (iii) what factors influence the efficacy of punishment in dynamic social environments. Her findings have important implications for organizations interested in designing policies to promote cooperation and other forms of norm obedience.

In a recent prominent study, Dr. Xiao found that people are more likely to incur costs to punish others if they are not able to express negative emotions in a less-costly way. At the same time, she found that fair economic exchange is more likely in environments where expressing emotions is easy. Her results help to explain the ubiquitous use of message boards in online markets like eBay. In addition to their value in tracking reputations of individual buyers and sellers, message boards provide a mechanism by which participants can express their feelings regarding any exchange outcome. Dr. Xiao's research shows that fair and trustworthy exchange, which is essential to the success of online markets, is promoted by message boards in part because buyers and sellers are psychologically averse to receiving expressions of negative emotion. More generally, Xiao argues that policy-makers should take seriously the role of emotion expression and communication when designing mechanisms to encourage pro-social behaviors.

Communication can promote social norms, and Dr. Xiao's research contributes to our understanding of how norms interact with sanctions to determine behavior. In a recent study, she found that punishment is more effective when it is implemented publicly (but anonymously to avoid shame). She provided evidence that public implementation increases norm salience both to those who receive as well as those who observe punishment, and that this increased norm salience broadly enhances norm obedience. Xiao points out that these results explain why some institutions, such as Westpoint, advertise that a punishable offense occurred, but do not announce the one who will be punished. Xiao's findings argue that public implementation might in many cases be an easily implemented and cost-effective procedure to increase productivity in organizations.

Recently Xiao has teamed with Dr. Cristina Bicchieri, and they have discovered that people's normative decisions are affected more by what they believe other people *would* do in that same situation than what they believe other people believe *should* be done. This finding is rich with implications, and reflects wisdom in University of Pennsylvania's motto: "Laws without morals are useless".

Dr. Xiao enjoys teaching and makes significant efforts to use experiments in teaching, and to involve students in her research activities. Behavioral lab experiments offer students a vivid way to experience, and therefore to understand, various facets of behavior and decision. The experimental approach offers students a unique perspective that cannot be provided by textbooks. In addition, observing students' behaviors in lab experiments can often plant the seeds for intriguing new research questions.