



**iLLUminate Blog Transcript: Felipe Araujo on Lehigh's Behavioral Research Lab**

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- STEPHANIE VETO: 00:14 Welcome to iLLUminate, the podcast for Lehigh University's College of Business. I'm your host, Stephanie Veto. It's November 14th, 2025, and on today's episode, we're talking with Felipe Araujo about Lehigh's Behavioral Research Lab. He's an assistant professor of economics, and his research focuses on topics in labor, behavioral and experimental economics. Hi Felipe, welcome to the show.
- FELIPE ARAUJO: 00:38 Hi, thank you. I'm very happy to be here.
- VETO: 00:40 How did you become interested in studying labor, behavioral and experimental economics?
- ARAUJO: 00:47 That happened, I would say, let me think, maybe 15 years ago or so. Now I'm dating myself. I remember I was-- so I did my undergrad in Brazil, and I was really interested in economics and microeconomics and people making decisions. And then, I went on to do my master's degree, and I started working with this mathematician or mathematical economist. And I thought for quite some time that I would be a decision theorist. So that's a branch of economics where you write these very complicated mathematical models about how people are making decisions and optimizing. And then, at some point, I read Nudge, this 2008 book by Richard Thaler and Cass Sunstein, which is kind of an introduction to some of the ideas in behavioral economics, and I was just hooked. From that point on, I couldn't trust those very complicated mathematical models anymore, and it was just nonstop from there. And then I came to the US to do my Ph.D., and I already knew exactly what I wanted to do.
- VETO: 01:48 I find it amazing how behavior can be tracked and studied and you can get data from a population's behavior, but what does behavioral economics mean?
- ARAUJO: 02:00 What behavioral economics means that, so you get this foundation of economic theory, which I mean, started centuries ago, which assumed people care about their own well-being, what we call utility. People look at the options available to them in the market economy, and they decide the best course of action. If you want to study these kinds of systems, you've got to make some assumptions, and typically, the assumptions that economists have made is that people care only about themselves. People do not care about others, not care about the environment. People are very good at optimizing, meaning you go to Costco, you know exactly the bundle of products that you should get because that maximizes your overall well-being. Those are simplifying assumptions, and they make the models easier. But then what behavioral economics come in and say is that, "Well, first of all, these assumptions are just wrong at face value." And second, it matters because if we really understand how people are making these decisions and their cognitive constraints and their time constraints and their lack of ability to optimize, the predictions that come out of models that kind of allow for this human behaviors are going to be very different than what comes out of this classical economics. So let's try to understand exactly how



people make the choices that we're trying to model. What are the default lines? What kind of biases happen? How can we mitigate them if we understand that better? That's the kind of longest explanation. I think the shortest one is that, well, let's take psychology seriously and get it into our economic modeling. That's kind of the short description of what behavioral economics is.

VETO: 03:42

Well, something that just popped into my head, and I really don't even know if there's an answer or if they're related. But are behavior and personality related in a way, or are you just looking at behaviors on with, okay, the economy's tough, and so we're all trying to save or travel less or this, that, the other? But then I always think about those personality tests, and they ask behavior questions, and then the answers that come out are kind of spot on. And it's based off of, if you were in this situation, would you do A or B? And it's kind of related to behavior in a way. Are behavior and personality combined?

ARAUJO: 04:25

Yeah, that's a great question, and the answer to that is yes. So I think economists or behavioral economists tend to think about personality maybe a little differently than what psychologists do. But to your point, when we're writing these classical economic models, we are assuming there is a representative agent that is kind of the same. Everybody behaves like that, and it's the optimizing agent, the agent without any cognitive constraints, and so on. But people are not like that, and people are different. So one thing that-- and this is kind of more of a recent development that behavioral economists have been taking very seriously is what we very famously call heterogeneity analysis, which is to say that people are different, and they kind of respond differently to the same set of incentives, the same set of circumstances. And what do we mean by different? Well, there are a bunch of things that we care about. For example, what are people's risk preferences? How willing are you to take risks in the financial market or in the labor market and other places? What about your loss aversion component? How averse are you to losing some amount of money? What about your patience? How much you're willing to wait to get a higher return. So all of these things are very, very important. And behavioral economists have been taking this very seriously when we write them out, when we do our experiments, and we try to make policy recommendations. Different people are going to respond differently to the same set of circumstances. So that's spot on. That's a really important point.

VETO: 05:56

Let's jump into the Behavioral Research Lab. Can you describe what that is?

ARAUJO: 06:02

I think of the Behavior Research Lab, or the BRL, as both a physical location and an institution in a way that it kind of brings together researchers in the college that are just in different areas, different departments but doing behavioral related work. So let's start with the physical part of it. So it's a fantastic space that we have in the Business Innovation Building, and it has three components. It has this individual experiment room where we have 24 computers in our work, and then the participants will come in, and they participate in decision-making experiments, and maybe we get into more detail later. But then there's this big room where we can run group-type experiments so where participants can negotiate and can discuss, and we have some interesting work going on there already related to this. And we can observe them. There's a one-way mirror, kind of FBI-style thing. And then, for some people, it might be interesting to see how the participants are interacting. How are they dealing with the technology if you're testing a technology thing? And then we also have a kitchen



component, a small kitchen, which has been used for marketing-type experiments where you actually want people to interact with products and you want to study all kinds of things. So it's this really fantastic place. And having that space makes it so that while everybody in a college and university, really, they're interested in doing behavioral experimental work, they kind of get together around that space. And then we have meetings. We have discussions. We have all kinds of different studies going on there. So it's a physical space, and it's a hub for behavioral research.

- VETO: 07:42 I was looking at the web page, and there's a long list of professors that are involved in it or doing something in it, which is really nice to see.
- ARAUJO: 07:49 Yeah. It is.
- VETO: 07:50 And it's interdisciplinary, too, right, like you said?
- ARAUJO: 07:54 Absolutely. We have in the college people from accounting, from management, from marketing, from economics doing research there. We have people from international relations doing research there because it's a space to do behavioral research, and that kind of research and experimental method is not restricted to the business disciplines. There's a lot of us here doing that kind of work, but really across the university.
- VETO: 08:19 And do you know when or how it started?
- ARAUJO: 08:22 Yes and no. So when I joined Lehigh, there was 2020. I remember I was having my interview. This was in San Diego in a hotel room. Economists do things a little weirdly, or at least used to. And then Ernest Lai was one of the people interviewing me. And he mentioned, "Oh, by the way, we have a new building planned for the College of Business." The building wasn't even ready yet. That was 2020. "And we have plans to build a lab for experimental work." And that was very exciting to me because if you do experimental work as I do, having a facility in your own home university is a game changer. Of course, you can have co-authors. You can run [studies?] in other places, but it's a whole different world. And then they were nice enough to make me an offer. I joined Lehigh. And as soon as I joined, I wanted to know more about this. So I reached out, I think was McKay Price in the finance department. There was the liaison for the facilities aspect of the new building, if I recall correctly. And then I said, "Well, what's going on? I'm interested in knowing more." And then I got involved from the very beginning, before we had the first hole in what used to be a parking lot before the business building was built, so I was inside the process. So someone at some point made a decision one day that the planning stages of the building, "Okay, we might want to have a lab." And then as soon as I joined, I was pushing for it and helping design and think about this. So that's where the yes or no answer.
- VETO: 09:58 You were not going to let that go. [You heard?] [crosstalk]--
- ARAUJO: 10:01 I was not.
- VETO: 10:03 --an opportunity.
- ARAUJO: 10:03 Yeah. That's exactly right. That's exactly right. It was a lot of work. I mean, not only me, but many of the faculty in the college, we used to have meetings with 10, 15, 20 people and exchange ideas about what's the best way that we can use this space and



have this back-and-forth with the dean's office and with the builders. It was a work of love. But I mean, the result is fantastic.

VETO: 10:28

What's the overall goal of the lab?

ARAUJO: 10:31

Going back to the question about what the lab is, the overall goal is to facilitate research. So there are a number of goals to facilitate research. So having the lab here is a game changer for those doing experimental work. Another thing that it allows us to do is involve students. So I've worked with more than one, at least three undergraduate students that were directly involved in either running their own studies or getting involved with faculty studies and helping them run and understanding how behavioral research gets done, and that's kind of a big goal of the lab. And also this idea of having a hub. So if you have a place where people go into research, your community, people start knowing about other people's work, and now it becomes a hub. It becomes like the center of gravity, and people are talking about their own research and collaborating because now we have their own space. And it's great for the college's visibility as well. In early September, we had a conference here. It's a one-day conference of behavior and experimental economists. And in large part, it happened because we have the lab here, and people know that research is being done here, so people actually registered and came, and it was a wonderful day. So it's a lot of things that I think is the goal for the BRL.

VETO: 11:54

Let's go back to involving students. Why is having this hands-on lab and hub and research experience so important for the students?

ARAUJO: 12:06

I think that's hugely important for a number of reasons. The way I look at this is that the research process it's search, a creative process that involves so many different skills from figuring out, being able to define our research questions to thinking through what the data is going to look like, to designing an experiment, to analyzing data, to then communicate with people what it is that you found. So from a student's perspective, being exposed to that process, I think, can be hugely valuable. And students really want to do this, so I get emails frequently. I'm meeting a student on Monday that is taking another class and is interested in behavioral research, and we're going to have a chat and see what's going on. And I like to involve as many students as I can, but of course, I have a limited time and budget. But the students really seem to enjoy that, so that's the part of kind of students helping run the research. What we also do is that the students are participants in our studies. So they can do this either as a credit requirement or an extra credit for a class, or they can get paid, for example, in the types of studies that I do. So they can also have this opportunity to come and see how research is being done. And maybe that sparked their curiosity about the topic being studied. And for those interested in going to graduate school, for example, that is a very nice way to expose them to the research process, so I see this as a beneficial to students in a variety of ways.

VETO: 13:41

Can you list some of the studies or research that's happening in the lab right now? You don't have to name the titles or anything, but what's some of the stuff happening?

ARAUJO: 13:50

Sure, I'm happy to. So there are quite a few things going on in the lab right now, for example, and I will preemptively say sorry to my fellow faculty members if I misrepresent the research. For example, Liuba, in the management department, she's



been studying drivers of unethical behavior. So I think the main question there is, if you express gratitude to someone, is this someone more likely then to engage in some kind of unethical behavior that benefits both of you, the person that expressed gratitude and the person that didn't. So those are very important questions, I believe. Our postdoc, Daniella Alva, who is our lab manager, she studies inequality, economic inequality, and people's perception about inequality. So she's been running studies where she tries to understand if we describe inequality with very objective measures versus with people's personal experiences, do individuals understand this and react to this differently? Danny Zane in marketing - so I mentioned to you the little kitchen that we have there - he's done a lot of interesting studies with actual products. So for example, in one of them, students or participants are coming in, and they're trying orange juice. And then he varies the kind of information that is in the label. And I mean, if you think about the classical economic model, the juice is the juice. If you taste it, you have some willingness to pay. You have some satisfaction, and that's it. The label in the bottle shouldn't affect your perception of the product at all, but it does. And he's trying to understand how he does, so he brings his students in, and they try to juice, and he varies what's in the label. So a lot of incredibly interesting stuff going on in the BRL.

VETO: 15:35

That kind of reminds me of the red wine or fine wine debate where it could be a cheap bottle of wine, but if you tell someone it's very expensive, all of a sudden it tastes better.

ARAUJO: 15:45

Yeah, yeah. That's a very robust finding, and it's happened in behavioral econ. It's not classical economics at all.

VETO: 15:54

Oh, let's talk a little bit about your work that has come out of the lab. You're currently working on a paper about labels. Can you describe what it is?

ARAUJO: 16:02

Yeah, happily. And just making a connection to what we're talking about with students. So this project actually started as an honors thesis for a student here, an honor thesis that I was supervising. So he was working at the time at the Office of Sustainability, and they were giving out badges to different apartments and offices in bronze, gold, silver, whatever. And he was very interested in the fact that nobody really knew what those badges meant. Supposedly, the gold is better than the silver, but what does it actually mean? What are you doing to obtain that? And then it got us thinking about this idea of labels in products like green label, carbon neutral, cruelty-free. There's just hundreds and hundreds of them. Now, in theory, they might serve a very good purpose. So you might think that consumers that care about the environment or care about the impact on animal testing, whatever it is, might be willing to pay a little bit more for products that are better in that dimension. And maybe companies know this, and they would like to invest more. So the label might be a way to signal to some of the customers, "Hey, we were nice. Here, pay some more, and we're going to do something nice to the environment." That's all and good. But then the label themselves, what do they mean? There's a lot of uncertainty around the exact meaning of any particular label. Now, if you add the uncertainty, so things get a lot more complicated. So for example, you might, as a consumer, be willing to pay a little bit more, but then you look at a product that has a label, and you're thinking, "All right, so how hard was it to obtain this label? Is it something that



you can just go and pay some money to some NGO and get that stamp? Is the company just trying to trick me?" So you have that concern.

ARAUJO: 17:55

Maybe you know about a product. So for example, imagine you read a long-form piece in the Atlantic or some other place talking about this company and how bad they are for the environment. And then you go to the supermarket the next day, and you see a product from the company that has a green label. Now you have information about the company, and you see the label, and now you think, "Okay, this label is probably worthless." And now, if you see that same label in another product, what do you do? Well, you trust that product a little less. So it's a tricky problem from a consumer perspective. So in studying this in the wild, like collecting information in supermarkets, it's really complicated because you don't really know what the labels mean. We try to read some of them. Some of them are like 20 pages long, what your company is doing to obtain that label, and it's very hard to pin down what it is exactly. So I think that's a question that is super interesting to bring to the lab because in the lab, what we can do is we can create our own market, and we incentivize participants to act as if they're in a market, to say they get paid to participate in the study. They get paid different amounts depending on how well they do in the market. So if you're a seller in our market, and the higher the price you can obtain for your product, the more money you actually get as a participant in the study. And if you're a buyer, the less you can pay for the product, the better for you. You have more money in the experiment and so on. So what we did is we brought in participants in the lab, and we simulated. We created a market for some generic product. And then we have sellers have the option to either buy or do not buy a label for the product.

ARAUJO: 19:37

So products have also different characteristics. So they give some consumer utility, but they have this negative externality. So you can think of that as pollution or labor exploitation or resource exploitation, that kind of stuff that we care about as consumers. But then, in the lab, we can vary the uncertainty around the label very precisely. In one case, we can tell the consumers, okay, this is what this label means. You have to be at this threshold to be able to obtain the label. And then the other treatment, we just don't say anything, which is actually what we face as consumers. And actually, what we find is that just giving consumers the certainty about what the label means lowers the total amount of externality that gets generated in the market by over 10%, which is pretty significant. So that's still an ongoing research. We're presenting this everywhere. I think it's getting some nice early reaction. We're going to go back to the lab in the spring to run more things, so that's an example of stuff that we do in the lab.

VETO: 20:44

Personally, I just about lost my mind when I found out that companies have to pay organizations for the labels. I mean, I know they have to meet a certain criteria, like you said, but I was like, "Wait." So basically it's pay-to-play, and as a consumer, I had no idea.

ARAUJO: 21:00

And it gets trickier than that because some of them are NGOs that have no industry relation at all. Some of them are industry-backed NGOs, so there are two forestry initiative labels that are really widespread. One of them is given by this NGO that has clear connections to industry players, and another one that doesn't. Now, we don't know this as consumers, but that's potentially relevant information as well. So it's a complicated inference problem, as we call it, as a consumer to understand. And we're





trying to, I don't know, understand it better how hard it is by doing the lab experiments.

VETO: 21:39

I even remember several years ago-- and I think things have gotten a lot clearer for consumers. I'm not sure. Please correct me if I'm wrong, if you know anything about this. But there was a point where it was on shampoo bottles and soap. The organic craze started, and companies were putting all natural. And there was a huge confusion about messaging because you're buying something all natural. You think it's organic, and it was the same thing that it always was. And so I remember there being a big issue with how things are actually described or labeled, and it needs to be-- I think it needs to be certified organic now for it to be called organic when it comes to like soaps and shampoos or something.

ARAUJO: 22:26

You're absolutely right, and that's a great example. The all-natural label, which I think is not being used as much nowadays as it was a few years ago, it just means nothing, really. Literally, almost every single product could obtain this all-natural label. Now, the organic is a somewhat different example because that is one example where something is a little bit more informative. Now, if you see a USDA organic, you kind of understand better what it is that you're buying. They're not using pesticides or herbicides, or at least not to the same extent, and maybe there's a correlation with quality there as well. So maybe the organic products are going to be of higher quality on average as well, not only because of the herbicide, but for other reasons. Of course, when we get to see the actual labels in real life, there are these kinds of complications, but there are many labels that are really-- I don't really know what they mean. Like the fair trade, for example, in coffee. You might think that, okay, this is better than the other one, but how much better? What is it that they're doing? Are they paying the coffee farmers more? Are they just being nicer to them? Are they giving them longer time contracts, so lowering their uncertainty in the future? I have no idea. And I might care about things differently. I think that's a timely topic, and I think it's an important one. And hopefully, we can shed some light on the mechanisms here going through people's heads.

VETO: 23:53

And we talked about some of the takeaways from the research, but what are some of the things that companies can do with this information?

ARAUJO: 24:01

Ah, that's a great point. The way I think about this, at least up to this point, it's more from a policy perspective. So imagine you're in the government, and you're thinking about the sorts of regulations that can lower the amount of pollution. Let's use pollution as an example, but we're talking about all kinds of negative externalities. So one thing that's coming out of this study is that, well, in principle, the labels can do that function. And you can write an economic model where the agents are very sophisticated, and they optimize, and they never make mistakes, where the labels actually solve the problem. But in reality, people have all these difficulties making the correct inference. So what we show in the lab is that just by removing that uncertainty, we see the final impact on the market being markedly better in terms of the negative externalities. So when we're dealing with real consumers, then the policy prescription would be, "Well, let's try to make these labels as clear as possible." So you can think, for example, instead of showing, I don't know, green label or reduced CO2 emissions, maybe you can come up with a measure that says, "Okay, we emit



two tons of CO<sub>2</sub> per dollar of revenue." Maybe that becomes the label, so kind of we're pushing. We're suggesting that we should move in that direction.

ARAUJO: 25:23

Thinking more from a policy perspective, but if you're a company and you really care about minimizing the impact, and you want to reach consumers, they also care. So then you're perfectly matched, and maybe you can even charge a higher price and share that burden with the consumer. Well, then try to make your label as clear as possible. Don't rely on third-party labels that are very uncertain. Consumers have a hard time reading through that. Maybe just write down what you're doing. We're not using animals for testing, or we're reducing emission by 30% compared to what the other product does. Just try to remove that uncertainty.

VETO: 26:02

There's confidence in clarity, folks.

ARAUJO: 26:05

There is. Yes. I agree with you completely.

VETO: 26:10

Is there anything else that you're working on that you want to share with us today?

ARAUJO: 26:14

Oh, you just made a mistake there, Stephanie. If you ask the researcher, can you tell me what you're working on? Can you just talk about your research? You can't be sitting here for an hour.

VETO: 26:27

List one thing. I'm just kidding.

ARAUJO: 26:31

I mean, I'm more than happy to. I'll give you another example about work that I'm planning on doing in the lab. So this project hasn't started. We haven't gone to the lab yet. But what really attracts me with experimental research is that not only can you address important questions, but you can get deeper into what is going on in people's minds. So short of actually going into their brains, that's the best you can do because we can have fine measures about their decisions. We can vary things very precisely to see how they react. And so one project that we're working on right now is, well, we know from early behavioral economics research that people have a hard time thinking in hypothetical ways and thinking about contingencies. So think about, for example, insurance markets. How do I know how much is a fair premium for an insurance policy? Well, that's a complicated question. We have to think through hypothetical scenarios. You have to do some contingent thinking about if there is a storm, what happens to my emergency savings? How much would I have to pay for the insurance? What's the deductible? And we've known this for some time. We're working on experiments now that we would be able, hopefully, to differentiate. So we have a hard time making these decisions. How much is it because we have a hard time thinking through hypothetical scenarios? How much is it about contingent thinking in terms of if the scenario happens, how do I react to that? So these sound very similar, but they're quite different things. And they have quite different prescriptions for correctives, or they have quite different predictions when you actually go down and write a model. So that's something that we can do with lab experiments. I think it's very exciting.

VETO: 28:20

Well, thank you so much for taking your time to be on the show today, Felipe. It was so nice to meet you.

ARAUJO: 28:26

Oh, thank you so much, Stephanie. I had a great time.





# College of Business

LEHIGH UNIVERSITY

VETO: 28:29

(Music) That was Felipe Araujo speaking with us about Lehigh's Behavioral Research Lab and some of his research that has come out of it. This podcast is brought to you by iLLUminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh business thought leaders or to follow us on social media, please visit [business.lehigh.edu/news](http://business.lehigh.edu/news). This is Stephanie Veto, host of the iLLUminate podcast. Thanks for listening.