CHAPTER 7

Field Experiments in Markets

O. Al-Ubaydli[*,§,¶,1], **J.A. List**[‖,#,a]
[*]Bahrain Center for Strategic, International and Energy Studies, Manama, Bahrain
[§]George Mason University, Fairfax, VA, United States
[¶]Mercatus Center, Arlington, VA, United States
[‖]University of Chicago, Chicago, IL, United States
[#]NBER (National Bureau of Economic Research), Cambridge, MA, United States
[1]Corresponding author: E-mail: omar@omar.ec

Contents

1. Introduction 272
2. Preamble 274
2.1 Defining markets 274
2.2 Studies covered by the literature review 275
2.3 Classifying the field experiments in markets 277
2.4 What are the advantages and disadvantages of field experiments? 279
3. Main Results 280
3.1 Conventional commodity markets 280
3.2 Financial markets 286
3.3 Single auctions 288
3.4 Behavioral anomalies 290
3.5 Experience and behavioral anomalies 298
4. Methodological Insights 300
5. Closing Remarks 302
References 303

Abstract

This is a review of the literature of field experimental studies of markets. The main results covered by the review are as follows: (1) Generally speaking, markets organize the efficient exchange of commodities; (2) There are some behavioral anomalies that impede efficient exchange; (3) Many behavioral anomalies disappear when traders are experienced.

Keywords

Behavioral economics; Field experiment; Markets; Welfare theorems

JEL Codes

B21; B53; C93; D41; D51; D61

[a] We would like to thank Andrew Simon for excellent research assistance.

Handbook of Economic Field Experiments, Volume 1
ISSN 2214-658X, http://dx.doi.org/10.1016/bs.hefe.2016.09.001
© 2017 Elsevier B.V.
All rights reserved.

1. INTRODUCTION

Traditionally, the study of economics is virtually synonymous with the study of markets, with the most notable illustration being Adam Smith's *Wealth of Nations*—arguably the discipline's inaugural contribution. The Scottish economist's treatise was followed by seminal contributions from numerous luminaries such as Alfred Marshall, John Maynard Keynes, Friedrich Von Hayek, Kenneth Arrow, Gary Becker, and Robert Lucas. While the range of topics studied by economists has undoubtedly expanded in the years following the *Freakonomics* revolution, markets remain the centerpiece of the discipline's intellectual mission. For example, in the 14 years since 2001, eight Nobel prizes in economics have been explicitly for research on markets, and of the remaining six, two were for econometric methods that are most frequently applied to the study of markets.

The methodological tools deployed by economists have evolved from the narrative and deductive arguments of the likes of John Stuart Mill, going on to introduction of elementary mathematical methods by the likes of Leon Walras, followed by the formal decision-theoretic mathematical machinery used by the likes of John Hicks and Gerard Debreu, the game-theoretic analysis of scholars such as James Mirrlees and George Akerlof, and most recently, the arrival of agent-based modeling. These theoretical contributions have been complemented by a huge volume of empirical work, with some of the most notable studies relating to international trade and financial markets. Without doubt, our understanding of how markets function has advanced immeasurably due to the efforts of the aforementioned scholars.

Until the 2002 Nobel prize, one of the most important contributions to our understanding of markets—Vernon Smith's (1962, 1965) real-stakes double oral auctions—remained under the radar of most mainstream economists. Smith's experiments, which followed in the footsteps of Chamberlin (1948), spawned a massive experimental literature investigating market processes. Subsequent scholars have examined alternative institutions, such as conventional auctions (Coppinger et al., 1980), decentralized bilateral bargaining (Hong and Plott, 1982), and posted prices (Plott, 1986). They have also varied the information structure to study important phenomena such as asset bubbles (Smith et al., 1988), while other studies have examined the possibility of social preferences interfering with the market-clearing process (Fehr et al., 1993). The single most important conclusion emerging from the early experimental literature was one that no theoretical or nonexperimental study had ever convincingly demonstrated: markets lead to the efficient exchange of commodities, and that this occurs even when many of the traditional assumptions of "perfect markets" break down, that is, when there is a small number of price-setting traders who have incomplete information, and in the absence of a centralized orchestrator such as the nebulous "Walrasian auctioneer" (Hayek, 1945; Smith, 1982).

Compared to conventional naturally occurring data, the key advantage offered by the laboratory experimental methods pioneered by Vernon Smith was the ability to

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات