

EXPERIMENTAL ECONOMICS

Fall 2012

Syllabus

(available as a website with links by unzipping the attached file)

This is a graduate-level topics course in Experimental Economics, with a focus on laboratory experiments. The aim is to expose students to multiple potential research topics and related literature. Hands-on participation in in-class experiments will be an integral part of the course. Basic background in Microeconomic Theory and Game Theory is assumed.

	Instructor: Peter Katusčák: Peter.Katuscak@cerge-ei.cz , office hours by appointment
	Lectures: Thu, 8:30-10:05, Fri, 8:30-11:50, in room S6 Dates: Oct. 25-26, Nov. 1-2, Nov. 22-23, Dec. 6-7
	Laboratory Sessions: Thu, 12:50-15:20, Fri, 12:50-14:30, in VT5 Dates: Oct. 25-26, Nov. 1-2, Nov. 22-23, Dec. 6-7
	Announcements:
	Principal Texts: <ul style="list-style-type: none">Holt, Charles A., <i>Markets, Games, and Strategic Behavior</i>, Pearson-Adison Wesley, 2007. Further Suggested Readings (available from the CERGE-EI Library): <ul style="list-style-type: none">Camerer, Colin, <i>Behavioral Game Theory</i>, New York, Russell Sage

	<p>& Princeton University Press, 2003.</p> <ul style="list-style-type: none"> • Friedman, Daniel and Alessandra Cassar, <i>Economics Lab: an Intensive Course in Experimental Economics</i>, Routledge, 2004. • Kagel, John and Alvin Roth, <i>Handbook of Experimental Economics</i>, Princeton, 1995. • Smith, Vernon L., <i>Rationality in Economics</i>, Cambridge University Press, 2008.
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Term Project and Grades:

There will be no exams in this class. The course grade will be based on class participation (20%) and a term project to be delivered by email to Peter Katuščák by January 15, 2013. In this project, a student should outline a research question to be addressed by laboratory experimental economic methods, review the literature, propose a detailed experimental design, outline hypotheses to be tested and discuss how these hypotheses will be tested.



Topics:

PART I: LAB EXPERIMENTS (PETER KATUŠČÁK)

Lecture notes for this part of the course can be downloaded by clicking on the appropriate link.

1. [Introduction and Methodology](#)
2. [Other-regarding Preferences](#)
 - Dictator game
 - Ultimatum game
 - Understanding other-regarding preferences
3. [Preference and Belief Elicitation](#)
 - Willingness-to-pay elicitation
 - Belief elicitation
 - Risk aversion elicitation
 - Elicitation of other-regarding preferences
 - Elicitation of attitudes toward competition
4. [Trust, Reciprocity and Principal-Agent Games](#) (skipping)
 - Trust game

- Reciprocity game
- Principal-agent game
- 5. [Cooperation](#) (skipping)
 - Prisoners' Dilemma
- 6. [Coordination](#)
 - Battle of the Sexes
 - Minimum effort game
- 7. [Guessing](#)
 - Guessing (beauty contest) game
- 8. [Public Goods](#)
 - Voluntary contributions game
 - Voluntary contributions with punishments
 - Provision-point mechanism
- 9. [Auctions](#)
 - Overview of auction formats
 - Independent private values: English, Dutch, first-price sealed-bid and second-price sealed-bid auctions
 - Common values: first-price sealed-bid
- 10. [Financial Markets](#)
 - Multi-unit double-auction:
 - Stock-market, bubbles
 - Prediction market

Reading List:

Readings denoted by asterisk will be discussed in class. Other readings are for student reference. Further readings may be assigned for in-class discussion during the course of the semester.

1. Introduction and Methodology

*Holt, chapter 1. ([pdf](#))

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Hertwig, Ralph and Andreas Ortmann. "Experimental Practices in Economics: A Methodological Challenge for Psychologists?" *Behavioral and Brain Sciences*, 2001, 24(3), pp. 383-402. ([pdf](#))

Kahneman, Daniel. "Maps of Bounded Rationality: Psychology for Behavioral Economics." *American Economic Review*, 2003, 93(5), pp. 1449-1475. ([pdf](#))

Rabin, Matthew. "Psychology and Economics." *Journal of Economic Literature*, 1998, 36(1), pp. 11-46. ([pdf](#))

Roth, Alvin E. "The Early History of Experimental Economics." *Journal of the History of Economic Thought*, 1993, 15(2), pp. 184-209. ([pdf](#))

Roth, Alvin E. "Let's Keep the Con out of Experimental Econ.: A Methodological Note." *Empirical Economics*, 1994, 19(2), pp. 279-289. ([pdf](#))

Samuelson, Larry. "Economic Theory and Experimental Economics." *Journal of Economic Literature*, 2005, 43(1), pp. 65-107. ([pdf](#))

2. Other-Regarding Preferences

a. Dictator, Ultimatum and Bargaining Games

*Holt, chapter 12 ([pdf](#))

Binmore, Ken. "Economic Man or Straw Man? Commentary on Heinrich, et al." *Behavioral and Brain Sciences*, 2005, 28, pp. 815-818. ([pdf](#))

Bornstein, Gary and I. Yaniv. "Individual and Group Behavior in the Ultimatum Game: Are Groups More "Rational" Players?" *Experimental Economics*, 1998, 1, pp. 101-108. ([pdf](#))

*Cherry, Todd, Peter Frykblom and Jason Shogren. "Hardnose the Dictator." *American Economic Review*, 2002, 92(4), pp. 1218-1221. ([pdf](#))

*Forsythe, Robert, Joel Horowitz, N.S. Savin and Martin Sefton. "Fairness in Simple Bargaining Experiments." *Games and Economic Behavior*, 1994, 6(3), pp. 347-369. ([pdf](#))

Goeree, Jacob and C. Holt. "Asymmetric inequality aversion and noisy behavior in alternating-offer bargaining games." *European Economic Review*, 2000, 44, pp. 1079-1089. ([pdf](#))

*Guth, Werner, R. Schmittberger and B. Schwartz. "An Experimental Analysis of Ultimatum Bargaining." *Journal of Games and Economic Behavior*, 1982, 3(4), pp. 367-388. ([pdf](#))

*Hoffman, E., K. McCabe., K. Shachat, and V. Smith. "Preferences, Property Rights, and Anonymity in Bargaining Games." *Games and Economic Behavior*, 1994, 7, pp. 346-380. ([pdf](#))

*List, John. "On the Interpretation of Giving in Dictator Games." *Journal of Political Economy*, 2007, 115(3), pp. 482-493. ([pdf](#))

*Ochs, Jack and Alvin E. Roth. "An Experimental Study of Sequential Bargaining." *American Economic Review*, 1989, 79(3), pp. 355-384. ([pdf](#))

Roth, Alvin E., V. Prasnikar, M. Okunofujiwara and S. Zamir. "Bargaining and Market Behavior in Jerusalem, Ljubljana, Pittsburgh, and Tokyo: An Experimental Study." *American Economic Review*, 1991, 81(5), pp. 1068-1095. ([pdf](#))

Rubinstein, Ariel. "Perfect Equilibrium in a Bargaining Model." *Econometrica*, 1982, 50(1), pp. 97-109. ([pdf](#))

*Slonim, Robert and Alvin E. Roth. "Learning in High Stakes Ultimatum Games: An Experiment in the Slovak Republic." *Econometrica*, 1988, 66(3), pp. 569-596. ([pdf](#))

b. Understanding Other-Regarding Preferences

*Andreoni, James and John Miller. "Giving According to GARP: An Experimental Test of the Consistency of Preferences for Altruism." *Econometrica*, 2002, 70(2), pp. 737-753. ([pdf](#))

*Bolton, Gary E. and Axel Ockenfels. "ERC: A Theory of Equity, Reciprocity and Competition." *American Economic Review*, 2000, 90(1), pp. 166-193. ([pdf](#))

*Charness, Gary and Matthew Rabin. "Understanding Social Preferences with Simple Tests." *Quarterly Journal of Economics*, 2002, 117(3), pp. 817-869. ([pdf](#))

Dufwenberg, M. and G. Kirchsteiger. "A Theory of Sequential Reciprocity." *Games and Economic Behavior*, 2004, 47(2), pp. 268-98. ([pdf](#))

Falk, Armin and Urs Fischbacher. "A Theory of Reciprocity." *Games and Economic Behavior*, 2006, 54(2), pp. 293-315. ([pdf](#))

*Fehr, Ernst and Klaus Schmidt. "A Theory of Fairness, Competition, and Cooperation." *Quarterly Journal of Economics*, 1999, 114(3), pp. 817-868. ([pdf](#))

Levine, D. "Modelling Altruism and Spitefulness in Game Experiments." *Review of Economic Dynamics*, 1998, 1(3), pp. 593-622. ([pdf](#))

Li, Jing. "The Power of Convention: A Theory of Social Preferences." *Journal of Economic Behavior and Organization*, 2008, 65(3-4), pp. 489-505. ([pdf](#))

Rabin, Matthew. "Incorporating Fairness into Game Theory and Economics." *American Economic Review*, 1993, 83(5), pp. 1281-1302. ([pdf](#))

Sobel, Joel. "Putting Altruism in Context," *Brain and Behavioral Science*, 2002, 25(2), pp. 275-276. ([pdf](#))

Sobel, Joel. "Interdependent Preferences and Reciprocity." *Journal of Economic Literature*, 2005, 43(2), pp. 392-436. ([pdf](#))

3. Preference and Belief Elicitation

*Holt, chapters 4 and 30. ([pdf](#))

Andreoni, James and John Miller. "Giving According to GARP: An Experimental Test of the Consistency of Preferences for Altruism." *Econometrica*, 2002, 70(2), pp. 737-753. ([pdf](#))

*Becker, G.M., Degroot, M.H., Marschak, J. Measuring Utility by a Single-Response Sequential Method. *Behavioral Science*, 1964, 9(2), pp. 226-232.

*Charness, Gary and Matthew Rabin. "Understanding Social Preferences with Simple Tests." *Quarterly Journal of Economics*, 2002, 117(3), pp. 817-869. ([pdf](#))

Croson, Rachel and Uri Gneezy. "Gender Differences in Preferences." *Journal of Economic Literature*, 2009, 47(2), pp. 448-474. ([pdf](#))

Fehr, Ernst, Helen Bernhard and Bettina Rockenbach. "Egalitarianism in young children." *Nature*, 2008, 454(28), pp. 1079-1084. ([pdf](#))

*Holt, Charles A. and Susan K. Laury, "Risk Aversion and Incentive Effects." *American Economic Review*, 2002, 92(5), pp. 1644-1655. ([pdf](#))

4. Trust, Reciprocity and Principal-Agent Games

*Holt, chapter 13. ([pdf](#))

Andreoni, James. "Trust, Reciprocity, and Contract Enforcement: Experiments on Satisfaction Guaranteed." 2005, Working Paper. ([pdf](#))

Andreoni, James, William H. Harbaugh and Lise Vesterlund. "The Carrot or the Stick: Rewards, Punishments and Cooperation." *American Economic Review*, 2003, 93(3), pp. 893-902. ([pdf](#))

*Berg, Joyce, John Dickhaut and Kevin McCabe. "Trust, Reciprocity, and Social History." *Games and Economic Behavior*, 1995, 10(1), pp. 122-142. ([pdf](#))

Bohnet, Iris, Bruno S. Frey and Steffen Huck. "More Order with Less Law: On Contract Enforcement, Trust, and Crowding." *American Political Science Review*, 2001, 95(1), pp. 131-144. ([pdf](#))

Cox, James C. "How to Identify Trust and Reciprocity." *Games and Economic Behavior*, 2004, 46(2), pp. 260-281. ([pdf](#))

Engelmann, Dirk and Andreas Ortmann. "The Robustness of Laboratory Gift Exchange: A Reconsideration." 2002, Working Paper, CERGE-EI, Prague, Czech Republic. ([pdf](#))

*Fehr, Ernst, Simon Gächter and Georg Kirchsteiger. "Reciprocity as a Contract Enforcement Device: Experimental Evidence." *Econometrica*, 1997, 65(4), pp. 833-860. ([pdf](#))

*Fehr, Ernst, Georg Kirchsteiger, and Arno Riedl. "Does Fairness Prevent Market Clearing? An Experimental Investigation." *Quarterly Journal of Economics*, 1993, 108(2), pp. 437-459. ([pdf](#))

*Fehr, Ernst, Alexander Klein, and Klaus Schmidt. "Fairness and Contract Design." *Econometrica*, 2007, 75(1), pp. 121-154. ([pdf](#))

Glaeser, Edward L., et al. "Measuring Trust." *Quarterly Journal of Economics*, 2000, 115(3), pp. 811-846. ([pdf](#))

Van Huyck, John B.; Raymond C. Battalio and Mary F. Walters. "Commitment versus Discretion in the Peasant-Dictator Game." *Games and Economic Behavior*, 1995, 10(1), pp. 143-170. ([pdf](#))

5. Cooperation

*Holt, chapter 3.1-2. ([pdf](#))

Andreoni, James. "Warm-Glow Versus Cold-Prickle: The Effects of Positive and Negative Framing on Cooperation in Experiments." *Quarterly Journal of Economics*, 1995b, 110(1), pp. 1-21. ([pdf](#))

Andreoni, James and Larry Samuelson. "Building Rational Cooperation." *Journal of Economic Theory*, 127, 2006, pp. 117-154. ([pdf](#))

*Andreoni, James and J.H.Miller. "Rational Cooperation in the Finitely Repeated Prisoner's Dilemma: Experimental Evidence." *Economic Journal*, 1993, 103(418), pp. 570-585. ([pdf](#))

Camerer, C., and K. Weigelt. "Experimental Tests of a Sequential Equilibrium Reputation Model." *Econometrica*, 1988, 56(1), pp. 1-36. ([pdf](#))

*Cooper, R., D. DeJong and R. Forsythe "Cooperation Without Reputation: Experimental Evidence from Prisoner's Dilemma Games." *Games and Economic Behavior*, 1996, 12(2), pp. 187-218. ([pdf](#))

*Dal Bo, P. "Cooperation under the Shadow of the Future: Experimental Evidence from Infinitely Repeated Games." *American Economics Review*, 2005, 95(5), pp. 1591-1604. ([pdf](#))

*Dawes, Robyn and Richard Thaler. "Anomalies: Cooperation." *Journal of Economic Perspectives*, 1988, 2(3), pp. 187-197. ([pdf](#))

Duffy, John and Jack Ochs. "Cooperative Behavior and the Frequency of Social Interaction." *Games and Economic Behavior*, 2009, 66, pp. 785-812. ([pdf](#))

Ellison, G. "Cooperation in the Prisoner's Dilemma with Anonymous Random Matching." *Review of Economic Studies*, 1994, 61(3), pp. 567-588. ([pdf](#))

Kreps, David, Paul Milgrom, John Roberts, and Robert Wilson. "Rational cooperation in the finitely repeated prisoners' dilemma." *Journal of Economic Theory*, 1982, 27(2), pp. 245-252. ([pdf](#))

Selten, R. and R. Stoecker. "End Behavior in Sequences of Finite Prisoner's Dilemma Supergames: A Learning Theory Approach." *Journal of Economic Behavior and Organization*, 1986, 7(1), pp. 47-70. ([pdf](#))

6. Coordination

*Holt, chapters 3.3 and 26. ([pdf](#))

Ochs, Jack. Coordination. In Kagel and Roth.

Blume, Andreas and Andreas Ortmann. "The effects of costless pre-play communication: Experimental evidence from games with Pareto-ranked equilibria." *Journal of Economic Theory*, 132, 2007, 274- 290. ([pdf](#))

*Goeree, Jacob and Charles Holt. "An Experimental Study of Costly Coordination." *Games and Economic Behavior*, 2005, 51(2), pp. 349-364. ([pdf](#))

Cooper, Russell W., Douglas V. DeJong, Robert Forsythe and Thomas Ross. "Communication in the Battle of the Sexes Game: Some Experimental Results." *RAND Journal of Economics*, 1989, 20(4), pp. 568-587. ([pdf](#))

Cooper, Russell W., Douglas V. DeJong, Robert Forsythe and Thomas Ross. "Selection Criteria in Coordination Games: Some Experimental Results." *American Economic Review*, 1990, 80(1), pp. 218-33. ([pdf](#))

Cooper, Russell W., Douglas V. DeJong, Robert Forsythe and Thomas Ross. "Communication in Coordination Games." *Quarterly Journal of Economics*, 1992, 107(2), pp. 739-771. ([pdf](#))

Riedl, Arno, Ingrid Rohde and Martin Strobel. "Efficient Coordination in Weakest Link Games through Freedom of Partner Choice." Unpublished manuscript, 2011a. ([pdf](#))

Riedl, Arno, Ingrid Rohde and Martin Strobel. "Neighborhood Choice and Efficient Coordination." Unpublished manuscript, 2011b. ([pdf](#))

Schotter, Andy and Barry Sopher. "Social Learning and Convention Creation in Inter-Generational Games: An Experimental Study." *Journal of Political Economy*, 2003, 111(3), pp. 498-529. ([pdf](#))

* Van Huyck, John B., Raymond C. Battalio and Richard O. Beil. "Tacit Coordination Games, Strategic Uncertainty, and Coordination Failure." *American Economic Review*, 1990, 80(1), pp. 234-48. ([pdf](#))

Van Huyck, John B., Raymond C. Battalio and Richard O. Beil. "Strategic Uncertainty, Equilibrium Selection, and Coordination Failure in Average Opinion Games." *Quarterly Journal of Economics*, 1991, 106(3), pp. 885-910. ([pdf](#))

Van Huyck, John B., Raymond C. Battalio and Richard O. Beil. "Asset Markets as an Equilibrium Selection Mechanism: Coordination Failure, Game Form Auctions, and Tacit Communication." *Games and Economic Behavior*, 1993, 5, pp. 485-504. ([pdf](#))

Van Huyck, John B., John M. Wildenthal and Raymond C. Battalio. "Tacit Cooperation, Strategic Uncertainty, and Coordination Failure: Evidence

From Repeated Dominance Solvable Games.” *Games and Economic Behavior*, 2002, 38(1), pp. 156-175. ([pdf](#))

Weber, Roberto. “Managing Growth to Achieve Efficient Coordination in Large Groups.” *American Economic Review*, 2006, 96 (1), March, 114-126. ([pdf](#))

7. Guessing

*Holt, chapter 3.4. ([pdf](#))

Moulin, Herve. *Game Theory for Social Sciences*. New York: New York Press, 1986.

*Nagel, Rosemarie. “Unraveling in Guessing Games: An Experimental Study.” *American Economic Review*, 1995, 85(5), pp. 1313-1326. ([pdf](#))

8. Public Goods

*Holt, chapters 14 and 15. ([pdf](#))

Ledyard, John. “Public Goods: A Survey of Experimental Research.” Chapter 2 in Kagel and Roth (1995).

a. Voluntary Contribution Mechanism

Anderson, Simon P., Jacob K. Goeree and Charles A. Holt. “A Theoretical Analysis of Altruism and Decision Error in Public Goods Games.” *Journal of Public Economics*, 1998, 70(2), pp. 297-323. ([pdf](#))

Andreoni, James. “Why Free Ride?: Strategies and Learning in Public Goods Experiments.” *Journal of Public Economics*, 1988, 37(3), pp. 291-304. ([pdf](#))

Andreoni, James. “An Experimental Test of the Public Goods Crowding-Out Hypothesis.” *American Economic Review*, 1993, 83(5), pp. 1317-1327. ([pdf](#))

Andreoni, James. “Cooperation in Public Goods Experiments: Kindness or Confusion?” *American Economic Review*, 1995a, 85(4), pp. 891-904. ([pdf](#))

*Goeree, Jacob K., Charles A. Holt and S. Laury. “Private Costs and Public Benefits: Unraveling the Effects of Altruism and Noisy Behavior.” *Journal of Public Economics*, 2002, 83(2), pp. 257-278. ([pdf](#))

*Isaac, R. Mark and James Walker. “Group Size Effects in Public Goods Provision: The Voluntary Contributions Mechanism.” *Quarterly Journal of Economics*, 1988a, 103(1), pp. 179-199. ([pdf](#))

Isaac, R. Mark and James Walker. “Communication and Free-Riding Behavior: The Voluntary Contribution Mechanism.” *Economic Inquiry*, 1988b, 26, pp. 585-608.

*Isaac, R. Mark, James Walker and Arlington Williams. "Group Size and the Voluntary Provision of Public Goods: Experimental Evidence Utilizing Large Groups." *Journal of Public Economics*, 1994, 54(1), pp. 1-36. ([pdf](#))

*Marwell, Gerald and Ruth Ames. "Economists Free Ride, Does Anyone Else? Experiments on the Provision of Public Goods, IV." *Journal of Public Economics*, 1981, 15(3), pp. 295-310. ([pdf](#))

Palfrey, Thomas and Howard Rosenthal. "Testing for Effects of Cheap Talk in a Public Goods Game with Private Information." *Games and Economic Behavior*, 1991, 3(2), pp. 183-220. ([pdf](#))

Palfrey, Thomas and Jeffrey Prisbrey. "Altruism, Reputation, and Noise in Linear Public Goods Experiments." *Journal of Public Economics*, 1996, 61(3), pp. 409-427. ([pdf](#))

Palfrey, Thomas and Jeffrey Prisbrey. "Anomalous Behavior in Public Goods Experiments: How Much and Why?" *American Economic Review*, 1997, 87(5), pp. 829-846. ([pdf](#))

b. **Provision Point**

*Bagnoli, Mark and Michael McKee. "Voluntary Contributions Games: Efficient Private Provision of Public Goods." *Economic Inquiry*, 1991, 29(2), pp.351-366. ([pdf](#))

Bagnoli, Mark, Shaul Ben-David and Michael McKee. "Voluntary Provision of Public Goods: The Multiple Unit Case." *Journal of Public Economics*, 1992, 47(1), pp. 85-106. ([pdf](#))

Davis, Douglas and Charles Holt. *Experimental Economics*. Princeton: Princeton University Press, pp. 338-343. ([pdf](#))

*Dawes, Robin, John Orbell, R.T. Simmons and A.J.C. van de Kragt. "Organizing Groups for Collective Action." *American Political Science Review*, 1986, 80(4), pp.1171-85. ([pdf](#))

Rondeau, Daniel, William D. Schulze and Gregory L. Poe. "Voluntary Revelation of the Demand for Public Goods Using a Provision Point Mechanism." *Journal of Public Economics*, 1999, 72(3), pp. 455-470. ([pdf](#))

Rondeau, Daniel, Gregory L. Poe and William D. Schulze. "VCM or PPM? A comparison of the performance of two voluntary public goods mechanisms." *Journal of Public Economics*, 2005, 89(8), pp. 1581-1592. ([pdf](#))

c. **Cooperation-Enforcing Institutions: Punishments for Non-Cooperation**

*Fehr, Ernst and Simon Gächter. "Cooperation and Punishment in Public Goods Experiments." *American Economic Review*, 2000, 90(4), pp. 980-994. ([pdf](#))

*Gureck, Ozgur, Bernd Irlenbusch and Bettina Rockenbach. “The Competitive Advantage of Sanctioning Institutions.” *Science*, 2006, 312, pp. 108-111. ([pdf](#))

*Kosfeld, Michael, Akira Okada and Arno Riedl. “Institution Formation in Public Goods Games.” *American Economic Review*, 2009, 99(4), pp. 1335-1355. ([pdf](#))

9. Auctions

*Holt, chapters 19 and 21. ([pdf](#))

*Kagel, John. “Auctions.” Chapter 7 in Kagel and Roth.

a. Private-Value Auctions

Anderson, Simon P., Jacob K. Goeree and Charles A. Holt. “Rent Seeking with Bounded Rationality: An Analysis of the All-Pay Auction.” *Journal of Political Economy*, 1998, 106(4), pp. 828-853. ([pdf](#))

Andreoni, James and John H. Miller. “Auctions with Artificial Adaptive Agents.” *Games and Economic Behavior*, 1995, 10(1), pp. 39-64. ([pdf](#))

Android, James, Yeon-Koo Che and Jinwoo Kim. “Asymmetric Information about Rivals Types in Standard Auctions: An Experiment.” *Games and Economic Behavior*, 2007, 59, pp. 240-259. ([pdf](#))

*Chen, Yan, Peter Katuscak and Emre Ozdenoren. “Why Can’t a Woman Bid More Like a Man?”, 2009, working paper. ([pdf](#))

*Filiz-Ozbay, Emel and Erkut Ozbay. “Auctions with Anticipated Regret: Theory and Experiment.” *American Economic Review*, 2007, 97(4), pp. 1407-1418. ([pdf](#))

List, John A. and David Lucking-Reiley. “Demand Reduction in Multiunit Auctions: Evidence from a Sportscard Field Experiment.” *American Economic Review*, 90(4), 2000, pp. 961-972. ([pdf](#))

*Lucking-Reiley, David. “Using Field Experiments to Test Equivalence Between Auction Formats: Magic on the Internet.” *American Economic Review*, 1999, 89(5), pp. 1063-1080. ([pdf](#))

Milgrom, Paul. “Auctions and Bidding: A Primer (in Symposia: Auctions).” *Journal of Economic Perspectives*, 1989, 3(3), pp. 3-22. ([pdf](#))

Riley, John G. “Expected Revenue from Open and Sealed Bid Auctions (in Symposia: Auctions).” *Journal of Economic Perspectives*, 1989, 3(3), pp. 41-50. ([pdf](#))

b. Common-Value Auctions

Kagel, J., R. Harstad and D. Levin. "Information Impact and Allocation Rules in Auctions with Affiliated Private Values: A Laboratory Study." *Econometrica*, 1987, 55(6), pp. 1275-1304. ([pdf](#))

Kagel, John H. and Dan Levin. "Common Value Auctions with Insider Information." *Econometrica*, 1999, 67(5), pp. 1219-1238. ([pdf](#))

Levin, Dan, John Kagel and Jean-Francois Richard. "Revenue Effects and Information Processing in English Common Value Auctions." *American Economic Review*, 1996, 86(3), pp. 442-460. ([pdf](#))

*Thaler, Richard H. "Anomalies: The Winner's Curse." *Journal of Economic Perspectives*, 1988, 2(1), pp. 191-202. ([pdf](#))

10. Financial Markets

a. Double Auction and Call Market

Chamberlin, E. H. "An Experimental Imperfect Market." *Journal of Political Economy*, 1948, 56, pp. 95-108. ([pdf](#))

Friedman, Dan. "How Trading Institutions Affect Financial Market Performance: Some Laboratory Evidence." *Economic Inquiry*, 1993, 31, pp. 410-435.

McCabe, Kevin, S.J. Rassenti and Vernon Smith. "Designing a Uniform-Price Double Auction: An Experimental Evaluation." 1993. In D. Friedman and J. Rust, eds., *The Double Auction Market: Institutions, Theory and Evidence*, SFI Studies in the Sciences of Complexity, Proceedings, 15, Reading, MA: Addison-Wesley.

Smith, Vernon. "An Experimental Study of Competitive Market Behavior." *Journal of Political Economy*, 1962, 70, pp. 111-137. ([pdf](#))

Smith, Vernon. "The Effect of Market Organization on Competitive Equilibrium." *Quarterly Journal of Economics*, 1964, 78, pp. 181-201. ([pdf](#))

Smith, Vernon. "Markets as Economizers of Information: Experimental Investigation of the Hayek Hypothesis." *Economic Inquiry*, 1982, 20, pp. 165-179.

b. Bubbles in Financial Markets

*Holt, chapter 11. ([pdf](#))

*Bostian, A. J., Jacob Goeree and Charles Holt. "Price Bubbles in Asset Market Experiments with a Flat Fundamental Value." 2005, working paper. ([pdf](#))

Caginalp, G., David Porter and Vernon Smith. "Financial Bubbles: Excess Cash, Momentum and Incomplete Information." *Journal of Psychology and Financial Markets*, 2001, 2, pp. 80-89.

- Dufwenberg, Martin, Tobias Lindqvist and Evan Moore. "Bubbles and Experience: An Experiment." *American Economic Review*, 2005, 95(5), pp. 1731-1737. ([pdf](#))
- Haruvy, Ernan and Charles Noussair. "The Effect of Short Selling on Bubbles and Crashes in Experimental Spot Asset Markets." *Journal of Finance*, 2006, 61(3), pp. 1119-1157.
- King, Ronald, Vernon Smith, Arlington Williams and Mark Van Boening. "The Robustness of Bubbles and Crashes in Experimental Stock Markets." In Richard H. Day and Ping Chen, eds., *Nonlinear Dynamics and Evolutionary Economics*. Oxford: Oxford University Press, 1993, pp. 183-200.
- Noussair, Charles and Steven Tucker. "Futures Markets and Bubble Formation in Experimental Asset Markets." *Pacific Economic Review*, 2006, 11(2), pp. 167-184. ([pdf](#))
- Peterson, Steven. "Forecasting Dynamics and Convergence to Market Fundamentals: Evidence from Experimental Asset Markets." *Journal of Economic Behavior and Organization*, 1993, 22(3), pp. 269-84.
- Porter, David and Vernon Smith. "Futures Contracting and Dividend Uncertainty in Experimental Asset Markets." *Journal of Business*, 1995, 68(4), pp. 509-541. ([pdf](#))
- Shleifer, Andrei and Robert Vishny. "The Limits of Arbitrage." *Journal of Finance*, 1997, 52(1), pp. 35-55. ([pdf](#))
- *Smith, Vernon, G. Suchanek, & Arlington Williams, "Bubbles, Crashes and Endogenous Expectations in Experimental Spot Asset Markets." *Econometrica* 1988, 56, pp. 1119-51. ([pdf](#))
- Van Boening, Mark, Arlington Williams and Shawn La Master. "Price Bubbles and Crashes in Experimental Call Markets." *Economic Letters*, 1993, 41(2), pp. 179-185. ([pdf](#))

c. Prediction Markets

- *Holt, chapter 34. ([pdf](#))
- Berg, Joyce, Robert Forsythe, Forest Nelson and Thomas Rietz. "Results from a Dozen Years of Election Futures Markets Research." *Handbook of Experimental Economics Results*, 2008, 1, pp. 742-751. ([pdf](#))
- Manski, Charles. "Interpreting the Predictions of Prediction Markets." *Economic Letters*, 2006, 91, pp. 425-429. ([pdf](#))
- *Wolfers, Justin. "Prediction Markets." *Journal of Economic Perspectives*, 2004, 18(2), pp. 107-126. ([pdf](#))

Wolfers, Justin and Eric Zitzewitz. “*Interpreting Prediction Market Prices as Probabilities.*” 2006, NBER Working Paper No. 12200. ([pdf](#))