



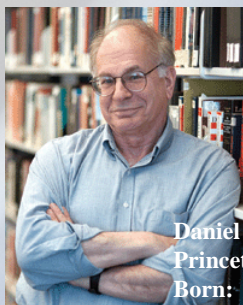
Experimental Economics

A Discussion by,
Elizabeth Hoffman, CU System President
January 13, 2005

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Won the 2002 Nobel Prize in Economics...Why?



Daniel Kahneman
Princeton University
Born: 1934

"For having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty"

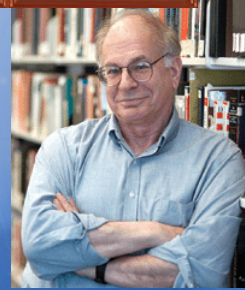
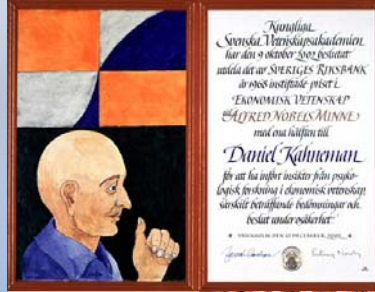


Vernon Smith
George Mason University
Born: 1927

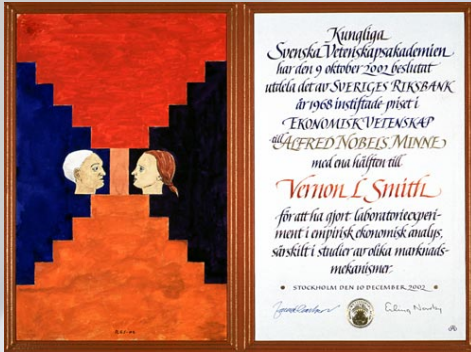
"For having established laboratory experiments as a tool in empirical economic analysis, especially in the study of alternative market mechanisms"

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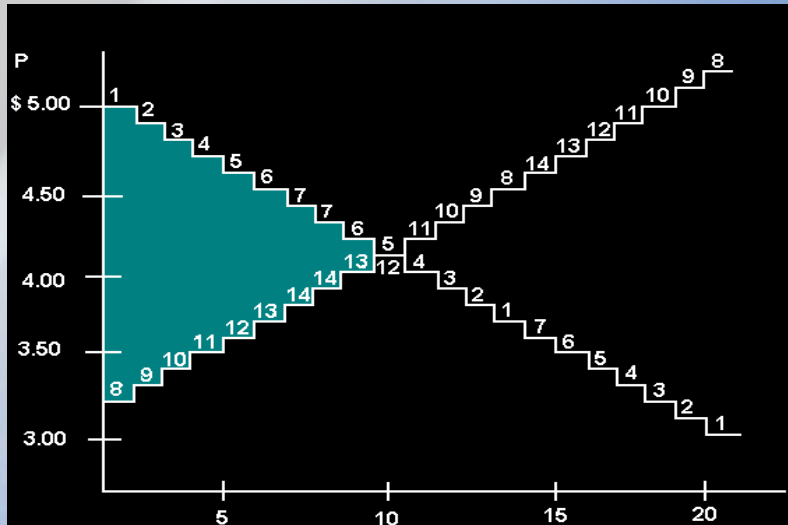


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Induced Demand and Supply Functions



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Coase Experiments Payoff Sheet

Number	A's Payoff	B's Payoff
1	\$0.00	\$12.00
2	4.00	10.00
3	7.50	4.00
4	7.50	4.00
5	9.00	2.50
6	10.50	1.00
7	12.00	0.00

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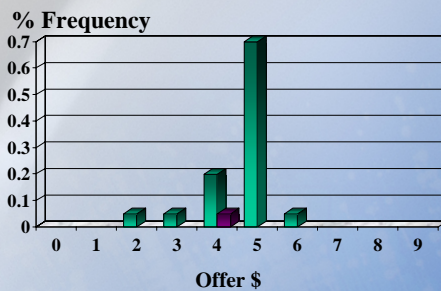
Coase Theorem Experimental Results

Experiment	Number of Decisions (N)	Number of Joint Maxima (N ₁)	Equal Split (N ₂)
A. Coin flip:			
1. No moral authority	22	20	10
2. Moral authority	20	19	9
B. Game trigger:			
1. No moral authority	22	18	9
2. Moral authority	22	21	4
Total	86	78	32

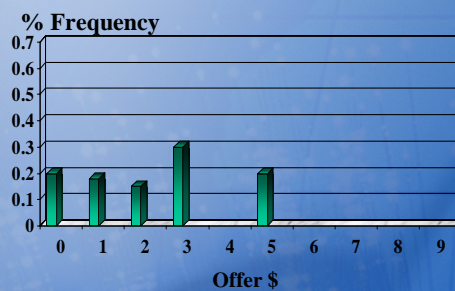
FHSS Results

Figure 1

Ultimatum; FHSS Results,
Divide \$10, N=24



Dictator; FHSS Results,
Divide \$10, N=24



■ % Offer
■ % Rejection

Payoff Chart

Figure 2

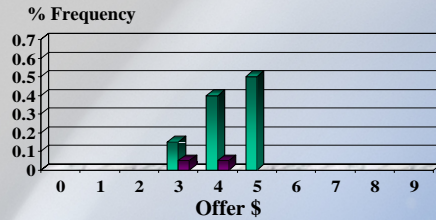
Seller Chooses
PRICE (In \$)

		0	1	2	3	4	5	6	7	8	9	10	
BUY	Seller Profit	0	1	2	3	4	5	6	7	8	9	10	
	Buyer Profit	10	9	8	7	6	5	4	3	2	1	0	
NOT BUY	Seller Profit	0	0	0	0	0	0	0	0	0	0	0	
	Buyer Profit	0	0	0	0	0	0	0	0	0	0	0	

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Figure 3

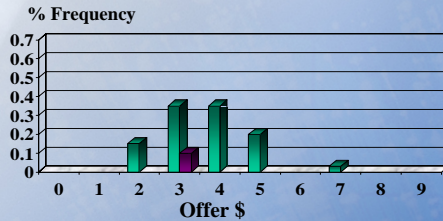
Ultimatum; Random Entitlement,
FHSS Instructions, Divide \$10, N=24



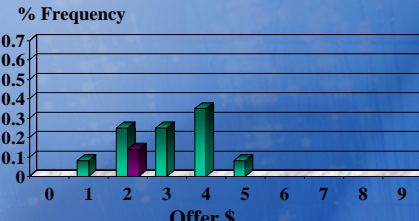
Ultimatum; Contest Entitlement,
FHSS Instructions, Divide \$10, N=24



Ultimatum; Random Entitlement,
Exchange, Divide \$10, N=24



Ultimatum; Contest Entitlement,
Exchange, Divide \$10, N=24

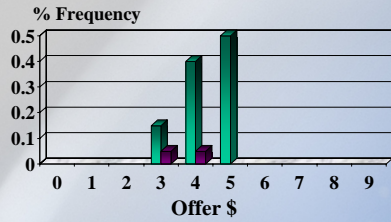


■ % Offer ■ % Rejection

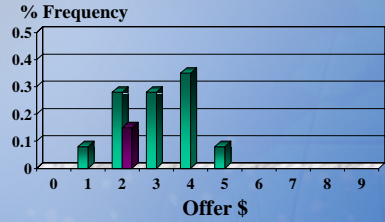
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Figure 4

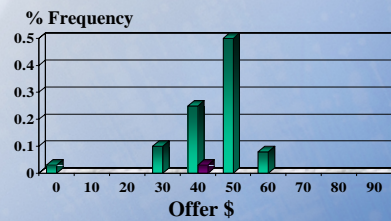
Ultimatum; Random Entitlement, FHSS Instructions, Divide \$10, N=24



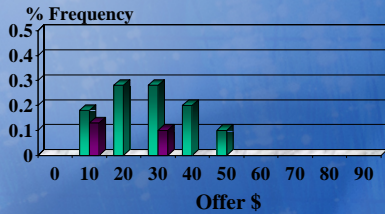
Ultimatum; Contest Entitlement, Exchange, \$10, N=24



Ultimatum; Random Entitlement, FHSS Instructions, Divide \$100, N=27



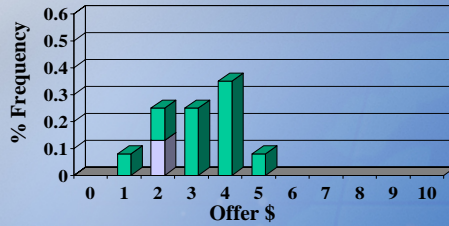
Ultimatum; Contest Entitlement, Exchange, \$100, N=23



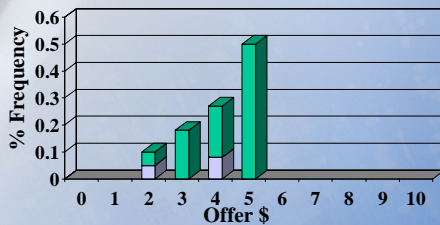
■ % Offer ■ % Rejection

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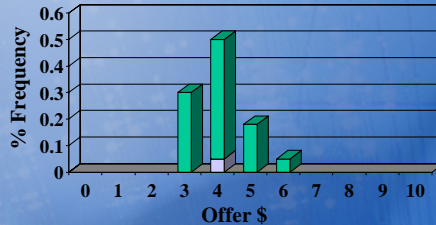
Figure 5



Divide \$10 random entitlement



Divide \$10 contest entitlement



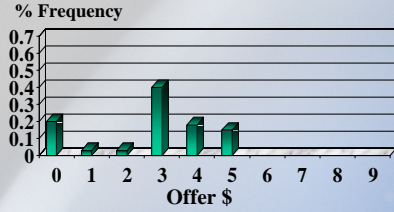
Each of the two bottom treatments are the same as the one above it, but with the instructions prompting the seller as follows: "Before making your choice, consider what choice you expect the buyer to make. Also consider what you think the buyer expects you to choose."

■ Offer was Accepted ■ Offer was Rejected

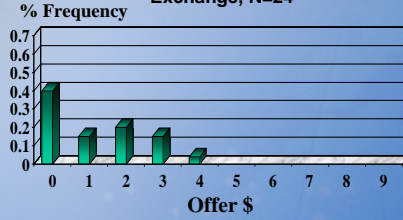
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Figure 6

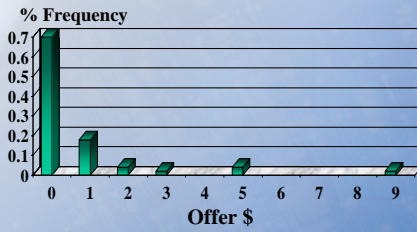
Dictator; Random Entitlement,
Divide \$10, N=24



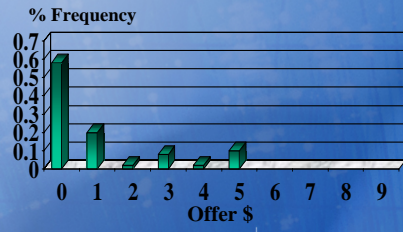
Dictator; Contest Entitlement,
Exchange, N=24



Dictator; Random Entitlement,
Divide \$10, Double Blind 1, N=36



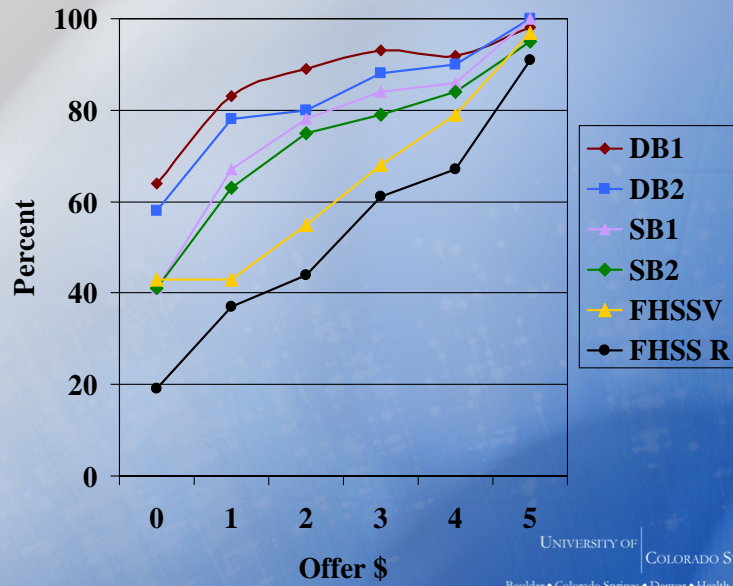
Dictator; Random Entitlement,
Divide \$10, Double Blind 2, N=41



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Dictator Experiments

Figure 7



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Dictator Games Charity Experiments

Figure 8

