

Big News!

From the President's Corner

By Vernon L. Smith

I bring exceptional news for the IFREE community of friends, scholars and educators!

The Frederick Gardner Cottrell Foundation of Tucson has made a major gift of \$500,000 in support of IFREE research and education programs. The Cottrell Foundation is funded by Research Corporation Technologies (RCT), which has for many years been led by Dr. Gary Munsinger.



Gary Munsinger has had an instrumental role in the development of experimental economics since I joined the faculty at the University of Arizona in 1975. At the time Gary was Vice President of UA, part of a team headed by Dr. John Schaefer, President and Dr. Albert Weaver, Provost.

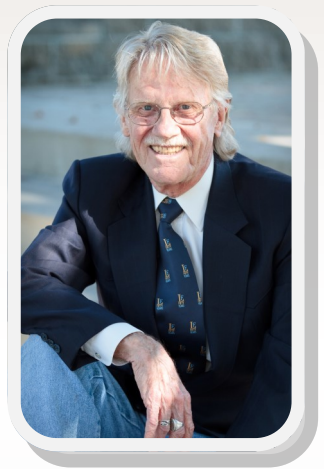
From 1975 to 1982 I was one of many UA faculty working at the department and school levels across the University to implement the leadership of this incredible administrative team—a team that was directly involved in aggressively recruiting the best new faculty and students that could be persuaded to join the UA. During that period the UA was launched on the road to becoming a leading Research I University. That development continued for many years with the creation of internationally recognized programs in astronomy, physics, biology, philosophy, economics, management,

geoscience and anthropology.

With their support, I applied for a Decision Package from the legislature to create the Economic Science Laboratory (ESL), funded by a special budget line from the state in 1985. The state's Decision Package concept recognized the importance of research and educational innovation, as well as traditional college teaching, in the state budgeting process. The proposal, one of seven funded that year, enabled the independence and growth of experimental economics at UA and nationally. Also in 1985, the Economic Science Association was formed, and held its first meeting in Tucson.

The first outreach workshops in experimental economics were conducted as programs associated with ESL in 1994. IFREE was formed in 1997 to further the international reach of research and education in experimental social and business science.

Gary's support and encouragement from the 1970s down to this generous gift in June 2016 has played a significant role in making all this possible. Please join me in thanking Gary Munsinger and his associates at RCT...Vernon





IFREE Spotlight



IFREE AWARDS SMALL GRANT FUNDING

“An Experimental Study of Matching Markets with Incomplete Information,” Leeat Yariv, Marina Aganov, and Ahrash Dianat, California Institute of Technology; Larry Samuelson, Yale.

Exchange in many markets involves two-sided matching processes: hospitals/interns, workers/employers, organ donors/patients, students/schools, Uber drivers/passengers. Applications use algorithms for efficient matching, based on each side's rank order preference for the other. Theory assumes each has complete information on others' preferences. But recent theory enables the prediction of final outcomes in match/rematch processes that are expected to emerge as preferences are revealed by decisions in repeat interactions. How would you test that prediction? In the field, we don't know individual preferences for predicting final allocations. But in the lab, one can use payoffs to induce preferences, and vary payoff structures and initial allocations. In the baseline experiments, subjects know all others' value types. In the incomplete information setting, all know firms' value types, but workers' value types are strictly private. With target prediction well defined, information and the sophistication requirement of firms' decisions about workers are varied across treatments. By inaugurating the study of matching markets under incomplete information, this research holds promise for improving and expanding the many applications.

“Status and Trust in Representative Leaders: A Lab-in-the-Field Experiment,” Nor Izzatina Abdul Aziz, Abhijit Ramalingam, Robert Sudgen, University of East Anglia, UK.

The role of representative leadership in the setting of villages in rural Sarawak, Federation of Malaysia, is studied by investigating how the relative status rankings between representative leaders and their followers affect the level of mutual trust and its impact on a groups' ability to achieve efficient outcomes. The experiment uses a novel modification of a public goods game. The research aims are to gain understanding of the relationship between naturally occurring prestige and trust and trustworthiness. Can NGOs and government agencies assist economic development in small-scale societies and discourage leadership from engaging in rent-seeking?

“Experiments on Social Safety Nets,” Peter DeScioli, Scott Bokemper, Stony Brook University.

Many workers face uncertain job markets and uncertainty about their income next year, month, or even tomorrow. Unemployed workers can request aid from peers or government sources but they might claim they need assistance when they do not. How can individuals decide whether a worker honestly needs help? Treatments in three experiments will vary whether the same partners interact repeatedly, with a partner of their choosing, or a new partner each period. We test how these different interaction protocols enable honest communication to help individuals insure each other against short-term hardship. Can reciprocity and partner selection promote honest signaling to achieve socially desirable outcomes? How can honest communication allow individuals to create a social safety net when help comes from other individuals or a central institution? What is the role of reciprocity in facilitating long run cooperative benefit to outweigh strategic short term benefit from defection? Understanding how people's select choice can eliminate subtle cheating is a key challenge for understanding exchange.

IN THE NEWS



◆ Chapman University High School Experimental Workshop Students Speak Out

<https://blogs.chapman.edu/business/2016/07/07/2016-high-school-workshop-in-experimental-economics/>

◆ Stellar UAA Experimental Workshop at Steller Secondary School, Anchorage, AK

<http://www.rasmuson.org/news/steller-experimental-economics-workshop/>

◆ 22nd Visiting Graduate Student Workshop in Experimental Economics, January 10-14, 2017, Chapman University <http://www.chapman.edu/research-and-institutions/economic-science-institute/conferences-and-workshops/graduate-workshop.aspx>

- Register Before September 30!

See how IFREE Promotes Human Betterment through Experimental Economics to Improve the Understanding of Exchange Systems <http://ifreeweb.org/>



2016 IFREE Summer Scholars Dig Deep

by Jan Osborn, Bart Wilson, Chapman University

“Let’s look at what people do and consider what that means” was a touchstone for the IFREE 2016 Summer Scholars at Chapman University. We looked at how Adam Smith opens “The History of Astronomy” with the human sentiments of *Wonder*, *Surprise*, and *Amazement*, linking those sentiments to gravity, the unseen force in the solar system.

We looked at what Adam Smith does in *The Theory of Moral Sentiments*, how by observing human actions he posits the theory that ethical behavior, too, is a result of an unseen force, an internal conversation with an imagined *fair and impartial spectator* provided by the mirror of human sociality.

We looked at how humans work together, considering Michael Tomasello’s *Shared Intentionality Hypothesis*, how Mary Shelly’s *Frankenstein* invokes an *invisible hand* as well as a creator outside the reflection of society’s mirror, how Aeschylus and Percy Bysshe Shelley contemplate Prometheus, *Bound* and *Unbound*, our hero suffering because he held to the deal, “Let man be free.” We read, thought, questioned and made connections, leading us to consider what human behaviors we want to test in the laboratory. The Summer Scholars met daily and also focused on two projects: how humans cognize *property* and how *price gouging* may be within the bounds of moral sentiments.

Both projects will be ongoing throughout the school year with possible experiments forthcoming in the spring.

The 2016 Summer Scholars Program at Chapman University’s Economic Science Institute (ESI) was jointly funded by the Thomas W. Smith Foundation and IFREE.



2016 Summer Scholars

Summer Interns Mentor IFREE/CSN High School Workshop

by Kevin McCabe, Center for the Study of Neuroeconomics, George Mason University

This summer (2016) CSN hosted three IFREE summer interns for eight weeks. Two interns were undergraduates at Brown University majoring in Neuroscience and Computer Science respectively. The third intern was an undergraduate at Washington and Lee University majoring in Economics and a returning alumni from the IFREE/CSN Summer High School Workshop.

The interns met twice a week to discuss Journal readings. Tuesdays were devoted to a discussion of classics in Experimental Economics, while Thursdays we discussed current research applying machine learning to economics. In addition the interns have been working with a graduate mentor to program a replication experiment (in Python) using Amazon’s Mechanical Turk to recruit subjects. They plan to publish their replication in an academic journal.

In the last week of July the interns served as mentors to three high school teams who built a virtual world experiment in the annual IFREE/CSN High School Workshop.



High School Workshop at Chapman



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Build IFREE

IFREE's Mission Statement:

IFREE Promotes Human Betterment by Using Experimental Economics to Improve Our Understanding of Exchange Systems.

- ⇒ funds primary research in market and personal exchange systems.
- ⇒ sponsors participatory, hands-on, educational, workshops; interdisciplinary academic discussions; and outreach programs for those outside the economics profession.

At the heart of IFREE are the contributors who bring life to the IFREE mission through their financial support of projects funded by IFREE.

IFREE, founded in 1997, is a public 501(c)(3), tax-deductible charitable foundation. Contributions made to IFREE can be provided as general support or directed to a specific research or outreach program. To learn more about the work of IFREE please contact us!

Your Support Makes a Difference!

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