

**President's Corner** By Vernon L. Smith, Ph.D.

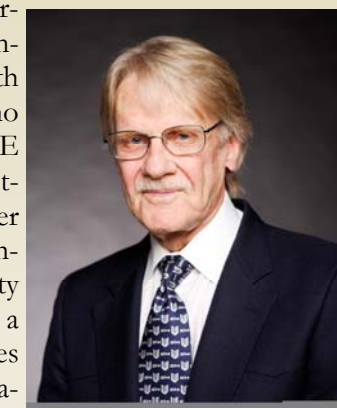
Though the general landscape these days seems grim, I can't emphasize enough how happy I am to be at Chapman University. It's home! If you can make it out to Orange on May 22, you might enjoy coming to the dedication of the Vernon L. Smith Alcove at the Leatherby Libraries. I've given the Nobel Prize memorabilia and other awards and memory items to Chapman University. The atmosphere at Chapman is really unusual in the university world, whether public or private. I and my Economic Science Institute colleagues agree that President Jim Doti and Chancellor Daniele Struppa are the visionaries that have made the development of Chapman University possible. In fact ESI is only symbolic of a much larger vision of accomplishment.

Chapman welcomes the hosting of the IFREE-sponsored high school and graduate workshops. The IFREE-sponsored Speaker Series has drawn some top scholars and have been well-attended. In this issue you can hear about the exciting and promising projects that IFREE is funding. As the IFREE website is updated, you can see online what the pre- and post-doc students have been up to in terms of research that we hope will eventually affect policy thinking and continue to affect the way they think about economics.

Some time ago, IFREE made a strategic decision

to focus on the use of funds, rather than to aspire to growing larger. IFREE operates efficiently with a volunteer staff and Board, and with two part-time assistants who devote energies to the IFREE website and the newsletter. Just under 6 cents per dollar is spent on these administrative costs. We're pretty proud that we have such a record in economic times when people and organizations have been caught up in a pattern of behavior in which it was thought legitimate to live beyond ones means, to enjoy the 'consumption binge,' and get bigger for its own sake.

That said, we continue to assess how it is that IFREE offers a way of thinking about getting things done. The most important volunteers are those who want to contribute and make it possible for student hands on education and basic and applied experimental economics research to move forward. It's the IFREE investors who are paving the growth path of discovery for researcher and learners.



**Support IFREE**

IFREE's Mission Statement:

To advance the understanding of exchange systems and the testing and application of market-based institutions by:

- *funding* basic research in economics through experimental methods,
- *supporting* the scholarly development of students and pre- and post-doctoral visitors,
- *sponsoring* innovative hands-on participatory learning in experimental economics in a variety of settings, and
- *promoting* extended discussion of experimental economics research applications to policy.

At the heart of IFREE are the donors who bring life to the IFREE organization through their commitment to supporting IFREE's Mission.

IFREE, founded in 1997, is a 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, current and future projects, obtain an annual report, or to provide support please contact:

**International Foundation for Research in Experimental Economics**  
 2122 E. Camino El Ganado  
 Tucson, Az 85718  
 Telephone: (520) 991-0109 Fax: (520) 529-2768  
 Email: [info@IFREEweb.org](mailto:info@IFREEweb.org)

**IFREE's Outreach to Eastern and Central Europe** by Rimvydas Baltaduonis,

After seeing the mind transforming impact that IFREE's workshops have on students in the U.S., Dr. Bart Wilson, Jeff Kirchner and myself, with the support of IFREE, are extending the reach of this impact beyond the United States to empower Eastern and Central Europe with the tools and experience of experimental economics.

Since the collapse of the Soviet Union in 1991, Eastern and Central Europe have undergone an amazing transformation. Decentralized markets replaced central planning. Private initiatives crowded out top-to-bottom decision making. The absence of one strong power in the continent opened the doors to infinite opportunities for

free trade and specialization. For more than a decade, the region enjoyed the growth of prosperity and relative peace. In recent years, however, the accession of many Eastern and Central European countries into the European Union (EU) has led to some non-EU trade restrictions. There are attempts to promote more bureaucratic vision for the EU, especially among bigger and older members of the EU. On the Eastern side of the continent, some political processes and the rise of oil prices might have again given an illusion that the game of control is still a prosperous possibility. Meanwhile countries in Eastern and Central Europe – from Estonia to Lithuania to Ukraine and to Georgia – retain strong groups of

free market and competition advocates.

Being the first republic to break off the Soviet Union, Lithuania vowed to promote stable and peaceful EU Eastern Neighborhood. Together with other Baltic partners Lithuania is a vocal supporter for democratic processes in Ukraine, Georgia, Moldova, Russia etc. The goal of this workshop is to expose the Eastern and Central European academic community to experimental research and teaching method in economics and to leave them with the tools and experience to build a program in experimental economics.

April 6-8, 2009 national and international policy makers, graduate students, undergraduates and faculty will participate in the workshop at the ISM University of Management and Economics in Vilnius, Lithuania. ISM ([www.ism.lt](http://www.ism.lt)) was one of the first initiatives to offer private education and research at the university level in Lithuania and it is the only private university in Lithuania offering doctoral programs in economics. This workshop will contribute to the establishment of a reliable partnership with an ambitious Lithuanian university that will be capable of hosting more international workshops in the

future. I see IFREE's workshops as a very natural way to build a diverse academic community in Eastern and Central Europe that would adopt the methods of experimental economics and that could tackle important issues of the region.

Building on the experience with the workshop in Lithuania and on the contacts that will develop out of this experience, I expect the outreach to continue into other Eastern and Central European countries by building a network of faculty and students who become interested in what experimental economics has to offer.

We have seen that people's behavior changes depending on their perception of a game and on the perceptions of other players' perceptions. IFREE's workshops include an array of experiments that illuminate the importance of institutions in shaping these perceptions and consequently, the behavior. Controlled laboratory experiments provide a unique opportunity to experience various institutions and to learn from those experiences. If our U.S. workshops are any indication, this workshop will be a great start to promoting the "game" of specialization and exchange rather than control and power.

## The Centro Vernon Smith de Economía Experimental in Guatemala

Diego Aycinena is Catedrático at the Facultad de Ciencias Económicas and Director of the Centro Vernon Smith de Economía Experimental of Universidad Francisco Marroquín in Guatemala. He focuses on using laboratory experiments to test alternative market mechanisms and field experiments to evaluate the impact of new financial products on migrants and their families.

Diego received his Ph.D. from George Mason University and his dissertation used experimental economics to test alternative mechanisms to procure energy and reserves for electric power markets. His dissertation advisor was Vernon Smith and his dissertation was possible due to the generous financial support provided by IFREE.

The *Centro Vernon Smith de Economía Experimental* (the Vernon Smith Center for Experimental Economics) is the experimental economics center of the *Facultad de Ciencias Económicas* at UFM.

The mission statement for the center is to **promote the experimental methods for economic and other social sciences through the generation, dissemination and transmission of applicable knowledge obtained through rigorous experimental methods.**

Dr. Aycinena envisions the role of the lab in Guatemala and Latin America in the not so distant future as first, a top-tier experimental economics lab that generates, disseminates and transmits—at the local and international level— new economic (and interdisciplinary) knowledge based on the rigorous application of experimental methods. Second, the main *magnet* to enable the *Facultad de Ciencias Económicas* [Economics Department] and the UFM to draw and retain the highest level of talent among faculty members and students (at the local and international level). And finally, **THE** Experimental Economics Lab in Latin America, dedicated to promoting experimental methods for economics and the social sciences.

They currently have a brand new, state-of-the-art Lab, with capacity for 32 subjects (with fixed partitions), and facilities that enable double-blind payments. Their lab also offers support for running experiments and programming support to facilitate developing customized software for experiments.

To the best of their knowledge, they are the first (and only) experimental lab in hispanoamérica. They are attempting to secure a *first-mover* advantage by building a solid team of talented young experimental economists in the near future.

Due to illness, Vernon Smith was not able to kick off the official lab inauguration in Guatemala from April 1-4, but the ESI Director, and IFREE Distinguished Scholar, Stephen Rassenti, will be taking his place. The new experimental lab will be named after Professor Smith: the *Centro Vernon Smith de Economía Experimental*. UFM announced the First Experimental Economics High School Workshop in Guatemala (co- directed by Diego Aycinena and ESI Visiting Post Doc, Rimvydas Baltaduonis).

Dr. Stephen Rassenti (with participation of Rimvydas Baltaduonis, Lance Cliffner and Diego Aycinena) will be leading a policy discussion on electric power on Friday. The workshop will be attended by members of the Guatemalan electric *Energía Eléctrica (CNEE)*- and invited guests from the regulatory commissions of the other Central American countries. A panel session on

"Experimental Economics and Electric Power Markets" will highlight the day and will be open to the public and key members of the electric power sector. Dr. Rassenti will be interacting with students, faculty and officials from the Universidad Francisco Marroquín during the visit.

**IFREE wants to keep you informed! Please email [info@ifreeweb.org](mailto:info@ifreeweb.org) with your preferred contact information.**

**For the most in depth and up to date information check out our website!**

[www.ifreeweb.org](http://www.ifreeweb.org)

## IFREE's 14th Graduate Student Workshop in Experimental Economics

Jan. 5th-10th, 2009 the Economic Science Institute (ESI) at Chapman University hosted the Fourteenth Graduate Student Workshop in Experimental Economics which was sponsored by a generous grant from IFREE. It was the first such workshop at the new ESI facilities and was immensely successful due to the enthusiasm of both students and faculty. The purpose of these workshops is to provide an introduction to laboratory methods in economics for Ph.D. students in hopes that these students will continue to use experiments in their research. Previous attendees have made IFREE proud.

This year a vibrant group of twenty-three graduate students from all over the United States and the world attended. Nearly half of the students came from international universities, bringing diverse perspectives to an already very dynamic group. The workshop exposed participants to a wide variety of current experimental research ranging from discussions of auction design for electric power markets and pricing in retail markets to in-depth methodological inquiries aimed to improve the way economists do experiments. Attendees were given the opportunity to learn by actually participating in the experiments, and each experiment was followed by an interactive lecture from a faculty member. This year's faculty included Drs. Rimvydas Baltaduonis, Cary Deck, John Dickhaut, Steven Gjerstad, David Porter, Stephen Ras-

senti, Vernon Smith, Nathaniel Wilcox, and Bart Wilson.

Both the faculty and the workshop as a whole received rave reviews from the students, many of whom had heard about the program through word of mouth from previous alumni and faculty. In a survey provided at the end of the workshop, one participant offered these reasons for attending, "a personal recommendation from a previous attendee, an opportunity to meet and hear from a number of excellent researchers, an opportunity to improve my work, to meet fellow students and to actually *see* experiments." And when another participant was asked whether he/she would recommend the workshop to others, the answer was "Lots of fun! A chance to travel to a gorgeous part of the world and still be an economist. And make money. What's not to recommend?" Responses like those assure us that the workshop is meeting and even exceeding its goals. With the support of IFREE these workshops will continue to influence the perspectives of future professors around the world, ensuring that as time passes experiments will be increasingly fundamental to the way economists see the world.



2009 IFREE Graduate Workshop participants enjoying a hike through Silverado Canyon, Ca with Professor Steve Gjerstad