

President's Corner By Vernon L. Smith

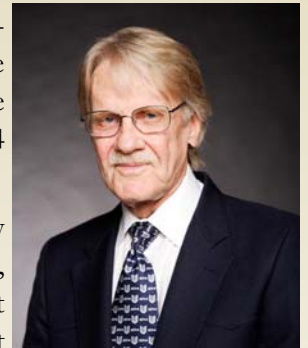
In this newsletter you'll have an opportunity to read about the two 2009 IFREE supported summer high school workshops held at Chapman University. Students from the Washington, D.C. area and one from China joined the California locals. Both workshops were conducted by Kyle Hampton, a GMU Ph.D. While Kyle was teaching the workshops, Bart Wilson met in roundtable forum with the IFREE supported summer interns, comprised of several outstanding alumni from previous workshops. I participated in two of these sessions, and the intensity was remarkable.

At the Economic Science Association meeting at GMU in June, Bart and I did a plenary session on our ongoing experiments examining specialization and exchange as a discovery process. With Erik Kimbrough, an IFREE supported Ph.D. candidate at GMU, added to the team, our research focus is now on how property rights emerge to support trade when there is no external enforcement agency. What we learn is that it only takes one or two in a group who play the game of "steal" instead of the game of "trade" to spoil wealth creation for everyone. But some groups are able to overcome this quagmire, develop property and grow wealth. The experiments demonstrate Samuel Pufendorf's claim in 1672 regarding "the falsity of the old saying: 'Mine and thine are the causes of all wars'.

Rather it is that 'mine and thine' were introduced to avoid wars". The IFREE funded software used to develop this research program is now available for the asking as an open source code. It has been requested by 44 potential users.

In studying how property rights emerge to support trade, we are trying to understand what makes this process tick, and what circumstances can facilitate it. For example, IFREE supported Chapman pre-doctoral visitor Taylor Jaworski and Bart have discovered a fascinating phenomenon that works wonders: it's called migration! Those willing to face the uncertainty and cost of "going west" are also prone to develop property. Migration opportunity serves as a filter. Moreover, even the free-riders who stay home, stuck with each other's thievery, improve their performance at the margin. It's fascinating.

I think we may have a cottage industry of new experimental directions in the making. Thanks to IFREE supporters for making this research and education venture possible.



Vernon L Smith High School Workshop in Experimental Economics

In July, IFREE sponsored two successful and inspiring high school workshops in experimental economics, hosted by the Economic Science Institute at Chapman University. The one-week workshops were taught by Dr. Kyle Hampton, a GMU Ph.D. formerly supported by IFREE. Kyle has recently accepted a position as Director of the Alaska Center for Economic Education, and as Assistant Professor of Economics, at the University of Alaska Anchorage. He received great reviews from the students and reportedly sparked interest in the subject through his "great word choices, enthusiasm and pop cul-

ture references in Power Point".

For the first time, IFREE sponsored several travel scholarships offered to students from outside the local California area. Implemented to attract highly motivated students, the travel scholarships appealed to those willing to compete with qualified local students for a small number of tuition-free workshop spots. The travel scholarships will help sustain the high quality expectations of the program and its reputation with the teachers who recommend the program to their most able and learning-motivated students.



IFREE Spotlight

- **Hot Spot: News at Chapman-** Long-time IFREE supporters **Bill and Rebecca Dunn** have endowed *The Rebecca and William Dunn Distinguished Chair in Honor of Vernon L. Smith* at the Economic Science Institute at Chapman University. Dedication of the Chair is scheduled for November 5 at Chapman.
- **Karl Schurter**, an IFREE supported 2009 summer intern at the Economic Science Institute and former participant in an IFREE supported high school workshop, and **Dr. Bart J. Wilson** co-authored “Justice and Fairness in Dictator Games,” published in the July issue of the *Southern Economic Journal*. This article uses a laboratory experiment to examine the question of whether justice and fairness are different motivational forces in the dictator game.
- **Drs. Peter DeScioli** and **Robert Kurzban** of the University of Pennsylvania, both previously supported by IFREE as Ph.D. candidates, co-authored “Mysteries of Morality,” published in the June issue of *Cognition*. The authors argue that basic differences between the adaptive problems faced by actors and third-parties indicate that actor conscience and third-party condemnation are likely performed by different cognitive mechanisms. For the full article, please visit: <http://pdescioli.com/descioli%20kurzban%20mysteries%20morality%20cog09.pdf>. Drs. DeScioli and Kurzban also co-authored “The Alliance Hypothesis for Human Friendship,” published in June and available online at <http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0005802>. In this article they explore cognitive systems underlying human friendship. A discussion of the article titled “Be Your Best Friend If You'll Be Mine: Alliance Hypothesis For Human Friendship” was published in *Science Daily* in June and is available online at <http://www.sciencedaily.com/releases/2009/06/090602204301.htm>.
- **Shengle Lin** received his Ph.D. in Economics from George Mason University in May 2009. He was an IFREE supported pre-doctoral fellow at the Economic Science Institute during 2008-09. His doctoral dissertation focused on testing under and over-reaction theories of asset pricing. With a research grant from IFREE, Shengle is currently continuing his exploration of trading mechanisms that reduce speculative noise in asset price discovery processes. He is particularly grateful for IFREE’s generous financial support, without which he says his “research initiatives would have been delayed or postponed forever.”



- **Angelina N. Christie**, formerly an IFREE supported doctoral candidate at GMU, received her Ph.D. in Economics in February 2009. Angelina was born and raised in the Ukraine, where she witnessed both the inefficiencies of central planning and the chaos of a poorly implemented transition. Driven by her experiences and a desire for a better life, she left the Ukraine at age 18 to study economics in the United States. Angelina’s doctoral research at GMU involved studying the behavior of firms and investors in the initial public offering market under competing institutions. Angelina regards undergraduate teaching as her true calling and hopes to inspire students to study economics and to pursue a graduate education. Because many students go through their college years with but a single semester of economics, she believes it is of paramount importance to reach these students in the time she has with them.



Students work in pairs to solve problems at the labs at the Economic Science Institute of Chapman University.

According to Kyle Hampton and Bart Wilson, there were several potential experimental economists among the attendees who expressed an interest in pursuing economics as a major in college; many are now expressing an interest in applying for an IFREE sponsored internship in the near future. Over the years the high school workshops have sparked keen interest in the study of economics and in the unique and particular vantage point that experimental economics fosters.

One workshop participant was from China, attending school in Virginia. Upon returning home, he wrote a thank-you letter, a portion of which is included below. The letter expresses sentiments common to the great majority of students who attended the workshops, and illustrates why these workshops are a central part of the IFREE mission of anchoring the discovery of socio-economic principles with methods based on learning-by-doing. IFREE-sponsored workshop participants explore both theory and how it operates in practical applications.

“How fast time passed! One week [since] the economics workshop has gone already and I am in Beijing now. Because the program was such a wonderful experience, I would like to share some of my thoughts I got from the workshop. Although the program was only a week long, I sincerely enjoyed every class you taught and learned a lot about experimental economics, something we don’t often learn in high school.... the experiments were very inspiring. From your teaching I learned that economics is a science significantly influenced by human behavior and that the inter-dependence between different people...decides the outlook of a market.... I was fascinated by all the experiments, especially the trust game! The [experiments] were all close simulations of real life situations....I have a genuine interest in economics and have been considering a major in economics in college. This workshop confirms to me the charm of this science and my determination to study it in the future....I know that economics can certainly change a country and the world, and I would really like to try my best at this area.

...Thank you so much for your ceaseless passion and inspiration! This workshop was truly a great experience!”

Here are some additional excerpts from the student evaluations, which demonstrate the enthusiasm and excitement about the workshop:

- “The best experiment from the workshop was ‘Innovation’ because it really gave me a different perspective on the future of our economy and how mankind has developed.”
- “The most interesting topics were about the market itself and how it was used in the real world.”
- “It was so fascinating to be part of the experiments and then learn about methods after. I loved it.”
- “It was wonderful, the best program I’ve ever attended.”
- “Game theory was very mind boggling. The tying in with psychology was very eye-opening too. The experiments were fun and also educational.”
- “It was a magnificent way of having a better understanding of economics.”
- “Economics becomes a lot more understandable and practical, plus experiments provide information on human reasoning.”
- “Dr. Hampton is one of the best teachers/lecturers I’ve seen.”



At the end of every day, students are given a series of real life problems to discuss and resolve in groups.

IFREE wants to keep you informed! Please email info@ifreeweb.org with your preferred contact information.

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International Foundation for Research in Experimental Economics

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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.

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