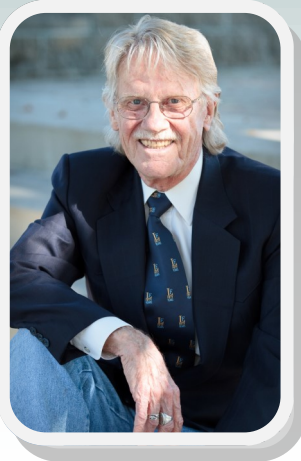


## From the President's Corner

By Vernon L. Smith



### Happy to announce!

Through a new funding initiative of IFREE, the first recipient of the Vernon L. Smith Ascending Scholar Prize has been selected.

I am especially pleased that the first recipient of the \$50,000 prize is Dr. Danila Serra, who received her PhD from Oxford University in

2009, and is currently an Assistant Professor of Economics at Southern Methodist University. Winner of the 2009 Edgeworth Prize for outstanding doctoral thesis, she was co-winner of the Editor's prize for the best paper published in *Experimental Economics* in the year 2014: "Intermediaries in corruption: An experiment."

Dr. Serra has achieved outstanding distinction in the use of lab and field experiments to study corruption and rule-breaking behavior. She has an impressive publication record based on the ingenuity and precision of her experimental research designs. Here is an excerpt from the abstract of her paper published in the *European Economic Review* on "Participatory accountability and collective action: Experimental evidence from Albania."

"Governments can put institutions in place that allow citizens to hold public servants to account, but citizens must participate in those institutions if accountability is to be achieved. Thus, citizens face a social dilemma — participate in holding public servants to account at a

cost in terms of time and effort or free ride, i.e., do not participate, while benefiting from the efforts of those who do. If this characterization of accountability is valid, we would expect more cooperatively inclined citizens to participate in accountability institutions, while the less cooperatively inclined do not. We test the validity of this characterization by investigating the correlation between individual behavior in a simple public goods game and their participation in local and national accountability institutions in Albania. We involve a nationally representative sample of 1800 adults with children in primary school. We find significant correlations between cooperativeness and participation in school accountability institutions and national elections, both at the individual level and the district level. These correlations are robust to the introduction of many controls in the analysis and, in the case of national elections, to the use of official election turn-out statistics in place of self-reported turn-out."

Sensitive to the difficulty in determining causal relationships with observational data, her work has focused on the use of randomized controlled trials in the field and lab experiments to supplement empirical case studies to better identify causal relationships. Her most recent working paper "Gender differences in the choice of major: The importance of female role models," reports the design of a field experiment to measure the effect on women's decisions to major in economics based on controlled exposure to career women majors in economics.

**Congratulations Dr. Serra!**



# IFREE Spotlight



## IFREE AWARDS SMALL GRANT FUNDING

**“Manipulation in Prediction Markets,”** Todd Kaplan, University of Exeter, UK (Lawrence Choo, Ro’I Zultan)

We experimentally test a prediction market to make economic decisions. A prediction market is run using partially informed participants about outcome states. Then, an economic decision based upon the information is voted upon. In this initial analysis we will determine whether markets can aggregate price information when market outcomes are known to influence future collective decision-making and to determine whether this influence produces better decisions. Then, preferences misaligned with the organization are induced on a minority to determine the extent of their manipulative success, including "false news" about outcomes.

**“Project Selection and Competitive Cheap Talk,”** Eric Schmidbauer, University of Central Florida (John Hamman, Miguel Martinez-Carrasco)

An agency problem occurs if agents with private information compete for resources from a principal, and are biased towards their own favored projects. Possible future interaction can mitigate this problem if an agent accepts a low-valued project today, but consumes resources that crowd out better future opportunities. The experiments are based on a principle/agent model for studying this incentive problem. We test the hypothesis that revelation is easier to support the larger is this future benefit.

**“Media and Motivation: Micro-Foundations of the Market for News,”** Emila Tjernstroem, University of Wisconsin - Madison (Ivan Balbuzahov)

We will measure the effects of performance-pay contracts for citizen journalists in an online English-language news firm in Kenya. The firm is a growing source of local news, garnering more than a million monthly views, receiving submissions from hundreds of active reporters. Currently, the author receives a fixed fee, independent of quality. By randomly allocating active reporters on the site to one control or two treatment groups, we will compare the current contractual approach to two new types of incentive contracts: Fee plus bonus based on number of readers, and the writer chooses fixed-fee vs performance-pay.

**“Do Negative Random Shocks Affect Trust and Trustworthiness?”** Ismael Rodriguez-Lara, Middlesex University London (Hernan Bejarano, Joris Gillet),

War, earthquakes and other natural hazards challenge social networks of trust and trustworthiness. Our aim is to study whether (and how) negative external random shocks impede trust and trustworthiness in sequential exchange. We propose an innovative design that relies on the Berg, Dickhaut and McCabe (1995) investment trust game. The experiments are designed to disentangle the effects of the shock, the inequality it creates and the uncertainty involved.

## UPCOMING WORKSHOPS & CONFERENCES



- ◆ Bogota, Columbia Experimental Economics Conference and Workshop, January 8-13, 2018  
<http://www.urosario.edu.co/BEEC/Evento/>
- ◆ 23<sup>rd</sup> Visiting Graduate Student Workshop in Experimental Economics, Chapman University, January 9-13, 2018
- ◆ IFREE Undergraduate Workshop in Experimental Economics at the University of Alabama, May 23-26, 2018
- ◆ IFREE Undergraduate Workshop in Experimental Economics, Purdue University, June 6-9, 2018:  
<http://www.krannert.purdue.edu/academics/economics/Workshops/IFREE.php>
- ◆ 2018 Summer Scholars Program, Chapman University, June 11-July 13, 2018: <https://www.chapman.edu/research/institutes-and-centers/economic-science-institute/conferences-and-workshops/summer-scholars.aspx>
- ◆ High School Workshop in Experimental Economics at Chapman University, June 25-29, 2018:  
<https://www.chapman.edu/research/institutes-and-centers/economic-science-institute/conferences-and-workshops/graduate-workshop.aspx>
- ◆ The Center for the Study of Neuroeconomics (GMU)/IFREE Undergraduate Workshop in Computational Experimental Economics, June-August, 2018
- ◆ Graduate Student Workshop in Experimental Economics: “Robust and Reliable Science,” Rice University, TBA 2018



For the most current news and updates, visit <http://ifreeweb.org>

## New Research Findings Reported

*"Heterogeneity, Information and the Emergence of Central Authority"*

David Kingsley, "Heterogeneity, Information, and the Emergence of Central Authority," reports the following research findings:

Institutions evolve to solve social dilemmas. Institutions can be informal, suggesting the peer-to-peer enforcement of social norms; or formal, suggesting a central authority that enforces established rules. Research suggests that when groups are able to tacitly agree on welfare enhancing contribution norms, peer punishment is rarely needed and imposes little cost. However, research suggests that there are limits to the effectiveness of informal institutions. For example, heterogeneity may reduce the capacity of groups to establish and enforce welfare enhancing contribution norms. This experiment investigates whether groups choose to self-impose an informal or formal institution in a public good experiment.

Across conditions, subject endowments are either homogeneous, heterogeneous and observed, or heterogeneous and hidden. Results suggest that the impact of endowment heterogeneity depends on whether endowments are observed during the peer punishment stage. When endowments are observed, peer punishment remains effective and the proportion of groups self-imposing the formal institution is equivalent to the ho-

mogeneous baseline. When endowments are hidden, the peer punishment mechanism is ineffective and significantly more groups self-impose the formal institution. This research suggests that central authority institutions emerge from within to solve social dilemmas in heterogeneous groups when peer punishment becomes ineffective.

## IFREE's Summer Scholars Program linked with Chapman's Humanomics Program

The Summer Scholars Program admits a small number of outstanding students from previous high school workshops and the undergraduate Humanomics program at Chapman for research projects and studies combining literature and economics!

See the abstract of a recently published joint student/faculty research project. "Commerce Unbound: A Modern Promethean Story," with Jan Osborn and Gus P. Gradinger: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2859643](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2859643)



Summer Scholars 2017, Anchorage, AK

## CELEBRATING WORKSHOP & CONFERENCE SUCCESS IN 2017!



HS Workshop at Chapman 2017

- ◆ High School Workshop at Chapman University hits 20th year milestone <https://blogs.chapman.edu/business/2017/07/11/2017-high-school-workshop-in-experimental-economics/>
- ◆ 22nd Visiting Graduate Student Workshop in Experimental Economics at Chapman University
- ◆ 5th Antigua Experimental Economics Conference <http://fce2.ufm.edu/antiguaworkshop/#workshopconference>
- ◆ Summer Scholars Program in Anchorage, AK <https://www.chapman.edu/research/institutes-and-centers/economic-science-institute/conferences-and-workshops/summer-scholars.aspx>
- ◆ IFREE Undergraduate Workshop in Experimental Economics at the University of Arkansas
- ◆ The Center for the Study of Neuroeconomics (GMU)/IFREE Computational and Experimental Economics Scholar Program



International Foundation for Research in Experimental Economics

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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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