

# MW24.2 Experimental Economics (SS2020)

## Final Exam

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Online, open question, 60 minutes, six questions total. If there are two variants (i.e., A or B), then either is randomly selected to appear on a particular exam sheet.

1.A

What can you say about paying only a flat fee to experimental participants?

1.B

What can you say about the validity of an experimental study with only one treatment condition?

2.A

Explain why the design of Holt and Laury (2002) is subject to the demand effect. How can it be improved?

2.B

A certain study wants to investigate if professional subjects are more risk averse than student subjects. Assume that the professionals tend to be females, the students tend to be males, and females tend to be less risk averse than males.

Without seeing the data, what is your expectation about the results and their validity?

3

From the perspective of experimental design, what implications does the phenomenon of prediction failure have?

4.A

Consider a 10-period repeated Prisoner's Dilemma and assume that one of the players behaves according to the reputation building model. List and explain all actions such player can in principle take in periods 8 and 9.

## 4.B

Consider a 10-period repeated Prisoner's Dilemma and assume that one of the players behaves according to the reputation building model. List and explain all actions such player can in principle take in periods 9 and 10.

## 5.A

Assume that the participants can have the following preferences: selfish, social welfare maximizer, inequality averse, competitive.

For which preference types is it possible to make a unique prediction in the following Dictator game?

	A	B	C
Dictator	12	11	10
Receiver	18	18	8

## 5.B

Below, there are two decisions that the dictator has to make (treat them as independent). Assume that the participants can have the following preferences: selfish, social welfare maximizer, inequality averse, competitive.

Which preference types can in principle choose *B* in Table 1 and *C* in Table 2?

Table 1	A	B	C	Table 2	A	B	C
Dictator	7	7	8	Dictator	17	16	16
Recipient	10	24	17	Recipient	4	12	4

## 6

Consider the following hypotheses:

Null: *Dominated strategies cannot influence the selection of an outcome from the set of Nash equilibria.*

Alternative: *Dominated strategies can influence the selection of an outcome from the set of Nash equilibria.*

What pattern of results from an experiment involving Game A and Game B below would provide evidence against the null and in favor of the alternative hypothesis?

Game A				Game B			
	1	2	3		1	2	3
1	35, 35	35, 25	100, 0	1	35, 35	35, 25	70, 0
2	25, 35	55, 55	0, 0	2	25, 35	55, 55	100, 0
3	0, 100	0, 0	60, 60	3	0, 70	0, 100	60, 60