Journal of Economic Psychology 31 (2010) 149–150

Contents lists available at ScienceDirect

Journal of Economic Psychology

journal homepage: www.elsevier.com/locate/joep

Book Review

Experiments in Economics: Playing Fair with Money, Ananish Chaudhuri. Routledge, 270 Madison Ave., New York, NY 10016. 2009, 272 pp., $41.95 (pb), ISBN: 978-0-415-47631-7

The author reviews a series of experiments covering two of the most fertile areas of research in contemporary experimental economics: cooperation and trust. He does so in four chapters (plus introduction and conclusion) that offer vivid and fairly self-contained reviews of the most intriguing results on Ultimatum/Dictator, Trust, Public goods and Coordination games, respectively. The book draws on a series of five public lectures that the author was invited to give at the University of Auckland in 2007 to an audience drawn from society at large and hence mostly with no prior exposure to formal economics whatsoever. Hence, the resulting book differs from previous ones on these topics (including the excellent book by Camerer, C. 2003, *Behavioral Game Theory: Experiments in Strategic Interaction*, Princeton University Press, Princeton, NJ, ISBN 13: 978-0-691-09039-9) in its target audience: the general public. Chaudhuri wants to convey to that audience a sense of what experimental economists have accomplished so far in their attempts to understand norm-based behavior broadly defined. Any experimental economist (especially those working on cooperation and trust) who has attempted to explain her/his ongoing research to non-experts (including academics not trained in economics) has experienced some frustration realizing that findings that are striking for economists may look fairly obvious to non-economists and – at times – vice versa. The solution to these misunderstandings is to make the economists' normative point of departure – the famous *homo oeconomicus* – well understood. Chaudhuri succeeds doing so by drawing on examples from everyday life, and by explaining that the choice of this normative model of behavior does not necessarily reflect economists' beliefs about human nature. More simply and pragmatically, one has to choose a starting point and see how far one can go with it. The book does not give account of the many theoretical developments over the last twenty years that have substantially modified the paradigm of *homo oeconomicus* and injected greater realism and complexity into economic theorizing. This failure is, however, a minor shortcoming, given the difficult challenge that the target audience of this book represents.

The long introduction is dedicated to describing the two assumptions of rationality and self-interest, and to illustrating the various advantages of conducting experiments in economic research as opposed to collecting field data. Useful thematic boxes sketch a history of the experimental method in economics, differences between experiments in economics and psychology, criticisms of experimental economics, and a brief introduction to game theory. These parts allow the untrained reader to familiarize herself/himself with all that is needed to understand what is illustrated in the subsequent chapters.

The second chapter deals with research on Ultimatum and Dictator games. The third chapter describes experiments on the Trust game; chapter four includes experiments on contributions in public goods games; the fifth chapter describes experiments on coordination games and their application to problems of coordination in organizations. In the concluding chapter, Chaudhuri discusses a series of further economic implications of both fairness and trust from labor markets to the relation between trust and growth and to the birth of micro-credit institutions in developing countries.

Every chapter contains examples from market settings and day-to-day interactions. The language is non-technical but still rigorous. The reviews of each topic are not exhaustive – and the author does not intend them to be – but well organized into coherent stories, with the experimental studies carefully selected so as to progressively narrow down the set of explanations of observed behavior. The chapter on coordination games includes the Continental Airline case study as a real world example, building a bridge from the abstract lab setting to actual coordination problems in real organizations.

The book is fun to read, well written, and different kinds of readers may find it useful: the professional reader can obtain a broad-brush picture of the state of the art in a very lively area of behavioral game theory, getting some idea about the most interesting controversies on the sources of human cooperation. The curious, untrained reader can learn how norm-based behavior may affect economic outcomes and the functioning of important economic institutions such as firms and markets; and, finally, the experimental economist may find this book to be both a valid didactic support when teaching an experimental course to novices (examples may include first year Economics undergraduates, master students in business schools, and students of majors other than Economics) and the perfect gift to get friends, relatives, and colleagues from other departments acquainted with her/his field of research. The most important merit of the book is definitely the author's attempt at making experimental research (and its many interesting implications) available to a more general public, which is essential, I believe, in filling the gap between academics within the social sciences and society at large. This bridging effort may be

doi:10.1016/j.joep.2009.11.001

especially needed in current times, in which economists' reputation with the general public – for reasons right or wrong – is not at its best.

Giovanna Devetag
Dipartimento di Discipline Giuridiche e Aziendali,
Università di Perugia,
Via Pascoli, 20, 06123 Perugia,
Italy
E-mail address: devetag@unipg.it

Available online 16 December 2009