Journal of Behavioral and Experimental Economics 95 (2021) 101777

Contents lists available at ScienceDirect

Journal of Behavioral and Experimental Economics

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

Book review of "A Research Agenda for Experimental Economics"

A Research Agenda for Experimental Economics, A. Chaudhuri (Ed.). Edward Elgar, Cheltenham, UK; Northampton, MA, USA (2021). p. 248

Traditional, or neoclassical, economics focuses on explaining the behaviour of agents who work solely for their own betterment. While successful in explaining behaviour in several domains, such as competition between firms in the marketplace and auctions for mobile spectrums, its limited ability to explain all interactions, even all economic ones, has long been apparent. Particularly after the economic crash of 2008, the utility of traditional economics has been openly questioned (see, for instance, an acknowledgement of this by the Chairman of the US Federal Reserve: https://www.federalreserve.gov/newsevents/speech/bernanke20100924a.htm). In the wake of such gaps in our understanding, experimental economics has emerged as an important field that has proved successful in resolving issues that have long mystified economists. By incorporating insights from psychology and allowing for the influence on decisions of non-economic motivations, others in society, heuristics and biases, experimental and behavioural economists have successfully explained economic anomalies such as cooperation, bubbles in asset markets, and even overpayment for gym memberships.

The tool that allows economists to study the influences and biases in human decision making is controlled laboratory and field experiments that allow researchers to manipulate environmental conditions, and thus identify causal relationships. The field has been around for a while. Early experiments focused on behaviour in a fundamental institution in economics, the interactions between buyers and sellers in markets (Chamberlain, 1948; Smith, 1962). Since then, experimental economists have gone on to study asset markets, auctions, and have solved some puzzles such as the paradoxical tendency for individuals to cooperate with others against their own private interests, and why people don't always search for, or find, the best bargains available. These have to do with our social preferences that drive us to reciprocate good and bad behaviour by others, and our tendency to settle for what is good enough, or to engage in 'satisficing' behaviour. A lot of this body of work can be found in collected volumes such as the 'Handbook of Experimental Economics' series.

Experimental economics has seen huge advances since the fundamental work of the first several decades of the field's existence. Particularly since the beginning of this century, the field has begun to explore several new topics, topics that one would not traditionally consider to fall under the purview of economics, even experimental economics! Given at least two decades of work in these non-traditional areas, the time is now ripe for us to take stock of these exciting new developments in the field. Ananish Chaudhuri's volume 'A Research Agenda for Experimental Economics' allows us to do just this. The volume presents a timely collection of articles by world-renowned scholars who summarise the state of the art in topics that push the frontier of experimental economics. Ananish Chaudhuri has expertly curated this volume to represent work that makes inroads into such diverse fields as sociology, political science, psychology, ecology and environmental sciences, business, law and even the medical sciences.

Chaudhuri begins with a chapter that introduces the field and ties it in with other experimental social sciences, thus establishing the interdisciplinary nature of experimental economics right at the outset, setting the stage for the collection of articles to follow. The volume is organised in such a way as to initially present more (only slightly more) traditional *economic* topics the field has explored (Part I), progressing to the more 'exploratory' forays experimentalists have made into other domains (Part II).

As a result of its focus, Part I is necessarily more technical, particularly Chapter 2 on social norms. However, the technicality is balanced by the need to organise a vast and disparate set of studies that often do not agree on, or clearly define, what social norms are. This, the chapter does very effectively and sets out a framework that can guide future studies on the topic. Chapters 3 and 4 document work by experimentalists in the fields of law and environmental regulation, for which the Economics Nobel Committee recognised, respectively, Oliver Williamson and Elinor 'Lin' Ostrom in 2009. Both Chapters document progress in the fields, which have both gained impetus since the Prize. Chapters 5 and 6 deal with fields that have traditionally been considered the domain of economists – entrepreneurship and health(y) choices – but have only more recently been open to experimental methods. Experiments have been successful in identifying traits that predict successful entrepreneurship, and in identifying policy 'nudges' that promote healthier behaviours.

Part II presents the true cutting edge of experimental economics; topics and fields that even economists do not usually consider to be within the domain of economics. Chapter 7 highlights the contributions of the experimental method in documenting the extent of the gender gap in the workplace, and also highlights the potential for the method to facilitate explorations of policies to close the gap. Chapter 8 presents fascinating research that uses techniques from experimental economics to study issues at the intersection of politics and psychology. By introducing a system to cleanly measure political attitudes, the chapter highlights the ability of experiments to study issues that are able to track the intellectual and social evolution of humankind over millennia!

Chapters 9 and 10 explore issues that have traditionally been the stronghold of medical practitioners and researchers. Chapter 9 presents work in neuroeconomics, a field that uses techniques used in biomedical research, such as measurement of brain activity using fMRI machines, to identify neural networks and pathways that trigger reward and pleasure recognition in humans. Such identification presents powerful and convincing evidence for the reasons behind several of our choices. Chapter 10 presents work that explores the impacts of a modern day 'pandemic' on our decisions – sleep deprivation. Sleep research is no longer the preserve of a few well-funded sleep labs; the methods of experimental economics now allow researchers in several fields to

https://doi.org/10.1016/j.socec.2021.101777
Received 18 September 2021; Accepted 20 September 2021
Available online 22 September 2021

carefully and directly evaluate the impacts sleep levels have on individual decisions and on decisions that involve strategic interactions with others.

Experimental economics has truly come a long way since its inception in the middle of the twentieth century. This volume presents a stimulating collection of articles that present the latest avatar in the constant evolution of the field. As an experimental economist myself, I was most pleased to learn of the great strides my fellow researchers have made in such a variety of themes. Each article in this volume presents a solid framework that, given the novelty of these areas, will be useful to all readers in assembling and organising work in the field. Combined with the authors' explicit efforts to identify promising open issues in their fields, this volume will undoubtedly help researchers place their own contributions in the appropriate context in the literature. Most importantly perhaps, the collection will appeal to a broad audience, and promises to be an important reference for scholars not just of economics, but of sociology, politics, psychology, law and environmental studies. It is perhaps a bit unfortunate, albeit inevitable, that the volume could not cover other fascinating areas that experimental economists have begun to delve into.

I am certain that this edited volume by Ananish Chaudhuri will become standard reading for anyone interested in keeping up with the latest developments in the field of experimental economics.

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