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PREFACE

Special feature: institutional design and experimental economics

Kazuhito Ogawa[1]

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Over the past two decades, much research has been undertaken to design institutions to provide economic agents with more desirable choices and to find appropriate nudges. A good example is the design of a robust auction system against the Sakura (or "claque") system and the discovery of a nudge to encourage energy saving and to saving money. By exploring these topics, Roth, Thaler, Smith, Kahneman, and Ostrom won the Nobel Prize in economics for their research.

Gathering and analyzing data on the actual behavior of economic agents, as well as the theoretical contribution to the institutional design and discovery of an appropriate nudge is essential. We can investigate these research topics using natural data, but nowadays laboratory experiments, field experiments, and web surveys are actively carried out. These new methods have advantages and disadvantages, and although none of them is imperfect, each is indispensable for investigating the behavior of economic agents.

In this special issue "Institutional Design and Experimental Economics", we have four interesting papers. Three papers employ experimental method and one paper employs theoretical and empirical approaches.

First paper, written by Angelovski, Cagno, Grieco, and Güth, experimentally focuses on endogenous emergence of an institution. Their choice of institution was the Ultimatum (UG, monitoring) or the Yes–No Game (YNG, trusting). In YNG, responders react without monitoring. Thus, they have to rely on senders.

In the experiment, a sender or a responder chose the game structure. Additionally, each role of participant was faced with the cost of monitoring and the responder's conflict payoff.

Experimental results indicate that senders (responders) opt for trusting significantly more (less) often than for monitoring. Average offers are higher in UG than in YNG, but the offers did not depend on who had chosen between games.

✉ Kazuhito Ogawa
kz-ogawa@kansai-u.ac.jp

[1] Faculty of Sociology, Research Institute for Socio-network Strategies, Kansai University, Suita, Japan

Second one, written by Takahashi, Izunaga, and Watanabe, experimentally investigates that under the VCG mechanism, the relationship among information type, display type of draw, and allocative efficiency and sellers' revenue in multi-unit auctions. The authors conducted four treatments, two types of information, and two display types of draw.

The authors found that the difference in information did not bring the significant difference on average in allocative efficiency or the seller's revenue. Rather, for each type of information, different display types of draws of unit valuations brought significant difference in participants' bidding behavior. However, this difference did not significantly change allocative efficiency. This indicates the robust performance of the VCG mechanism against display types of those draws, as well as against types of appearance of information.

Third one, written by Tokumaru, experimentally investigates the inequality and collective benefits in organizational production. Especially, the author examined how different incentives of self-interest, wage inequality, employer–employee inequality, or collective benefits affected worker performance in an organizational production.

In the experiment, participants were assigned to a role of a worker (employee) or an investor (employer). Investor participants chose the level of wage, worker participants were given the wage level information (unequal, equal etc.), and performed a calculation task (production) and investor participants invested their part of or all the endowment to increase the efficiency of the investment. Finally, both participants received the information of production.

The author found that workers are not only motivated by selfishness or fair treatment, but also aim to contribute to an organization, of which they are a part of.

Forth one, written by Gan, develops the theoretical model on and conducts empirical approach with this model to include the economic uncertainty in the money-demand function, which is rarely considered in the published papers.

The author aims to overcome this shortcoming and use the augmented form to specify the demand for money function. Additionally, the author investigated the empirical validity based on a sample of eleven countries, four are developed countries and seven are developing countries. Empirical analysis provides some insightful policy implications.

All the papers in this special issue have significant contributions to the literature in each research area. As the guest editor, I would like to appreciate all the contributors and hope this special issue promotes further research on the performance of institution, the relationship between institution and human behavior and institutional design based on the evidence.