Lisbon School of Economics & Management
Universidade de Lisboa

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Experimental Economics

Lab Report 4 by Group __

Due Thursday, March 6 2025, at the beginning of your class.

In this experiment, the initial decision maker ***(first mover)*** decides how much money from her or his initial endowment of **$4** to pass to the other person ***(second mover)***. Money passed is mulitplied by **3** and the second mover then decides how much of this to return to the first mover and how much to keep. The **pairs remained fixed** throughout the entire experiment which lasted **7 rounds**. For questions 2, 5 and 6, please use the Excel data posted on Fenix. You can also find the instructions of the experiment on Fenix.

1) What should player 2 do if s(he) is selfish and rational? Given that, what should player 1 do? Is this optimal in terms of surplus creation?

2) Fill in the following table.

Round	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Average amount Passed							
Average amount Returned							
Average earnings							

3) If you had known before that this experiment finished after 7 rounds, how do you think average amounts would have been affected? Please explain briefly.

4) Imagine there was random partner matching instead of fixed partner matching. How would you expect the results to change and why? Please explain briefly.

5) Based on the following demographic variables (age, gender, employment status, voted in governmental elections, patience), how do you judge the success of the random role assignment in this experiment – a core principle of controlled laboratory environments? Please explain briefly based on econometric/statistical evidence.

6) Based on correlational analysis, which demographic variable including the binary variable "FirstMover" is the best predictor for participants' earnings in this experiment?