

Abstract

In a recent paper Glenn Harrison (1989a) has raised an interesting and significant point concerning the methodology of experimental economics. Specifically, Harrison has warned economists to take care in designing their experiments to give subjects sufficient incentives to overcome the significant calculation and decision costs that exist in experiments in order not to lose control over their actions. One way that Harrison claims that control can be lost is if the payoff function faced by any subject, conditional on the others taking their equilibrium actions, is flat. The major point of our paper is that the shape of the theoretical payoff function faced by subjects in an experiment can not have any effect on their behavior unless they are able to perceive it either deductively, before the experiment begins, or inferentially, using the information they gather during the experiment. What we present is a first attempt to give some operational content to the general point raised by Harrison (1989a) which, while undoubtedly correct, needs to be refined. We explore these ideas using data generated both by Harrison's (1989a) own experiments and by one of the experiments performed by Bull Schotter and Weigelt (1987), one claim from which was recently criticized by Drago and Heywood (1989) using the Harrison criticism. We demonstrate that the shape of the theoretical ex ante payoff function could not have been a determining factor in the behavior of a large number of subjects in these experiments because, given the nature of the experiments and the data available to the experimental subjects, they either could not have perceived the function's shape, or they could have misperceived it.