


The University of Chicago

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Finding new insights with experimental economics

John List leads new field with studies ranging from educational incentives to the origins of discrimination.



By William Harms

Photo by Jason Smith

John List's career as one of the world's leading researchers in experimental economics got its start with work in one of his teenage interests—buying and selling sports cards.

Although it began as a way to fund his undergraduate studies, List saw that the trade was relevant to bigger economic questions. He noticed that women with small children were the most likely to offer higher prices for cards, in part because they did not want to loiter and bargain with their children in tow. Such decisions played into a larger economic picture, he realized.

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Professor

“It was a chance to apply what I was learning in college about economics to a real-life situation,” says List, the Homer J. Livingston Professor of Economics.

List's hobby helped support the early stages of a scholarly career that has grown to study economic questions in creative ways. Now, List is helping to make UChicago a leading center in the study of experimental economics. The field is also drawing on ideas from preeminent UChicago economists such as Gary Becker, Steven Levitt, and Kevin Murphy, whose research includes work on experimental economics.

Rather than using existing economic data, such studies rely on experiments in the field or in classroom settings to shed light on important aspects of economic behavior and how

markets operate. List's creative and rigorous approach has made him a pioneer in the use of economic field experiments.

"Experimental economics is a useful tool to economics because we can generate experiments that test theories. Without those tests, we cannot easily establish cause and effect," says List, who joined the UChicago faculty in 2005.

List has since studied peoples' motivations behind charitable giving, the reasons why women are paid less in the workplace, and the origins of discrimination. He also has launched an ambitious project in the south suburbs of Chicago to learn how both monetary and non-monetary incentives can help coax parents to invest more time in their preschool children.

Gary Becker, University Professor in Economics, says experimental economics is becoming an increasingly important field because it gathers data that is not available from the government or private company surveys.

"There are lots of questions we have for which we have no data," Becker says. "What does it take to motivate an eighth-grader to do better in school, for instance? There are no surveys on that, but it's something field experiments in economics can assess by looking at an intervention and then randomizing a sample by looking at places where the intervention is not tried out."

Using theory to guide research

List has worked with graduate and postdoctoral students to make UChicago a gathering place for scholars interested in the study of experimental economics. Rated the top young scholar in the field of economics by RePEc (Research Papers in Economics), List helped organize a conference on experimental economics, which brought leading figures in the field to the Becker-Friedman Institute For Research in Economics to discuss research.

In List's recent work on charitable giving, for example, he explored two theoretical models for reasons why people give money in door-to-door solicitations. One theory suggests that people are altruistic, and another proposes that people give because they feel social pressure.

List devised an experiment that sent people throughout the Chicago suburbs to either call on people without warning, or leave a flyer that would either tell people ahead of time they would stop by or give them an opportunity to opt-out entirely.

The study found that social pressure is a stronger driver for giving than was altruism, as giving went down by 28 percent for a local children's hospital when people were given the opportunity not to answer the door and being given a personal request to give a small amount of money to the worthy cause. This particular work represents List's creativity at its core: Combining theory and unique design to answer questions previously impenetrable.

List and colleagues also have turned their eyes to discrimination to see what drives decisions to treat people in different ways. He and his team sent people in wheelchairs in the vehicles

they use for repairs at body shops around the Chicago area. On average, body shops charged disabled people 30 percent more than they charged people without disabilities.

“When the people in wheelchairs said they were going to get more bids for the work, the prices always came down, and there was no difference between what they were charged and the other people. The shop owners took advantage of them if they didn’t think they would be able to drive around and shop for a better price,” List says. The work also found that black people were likely to be charged more when bargaining for a high-priced car. By and large, the work showcases how field experiments can be used to not only measure discrimination, but also pinpoint the nature of it.

The public policy implications of such economic experiments are particularly significant, List contends. Rather than coming up with one-size-fits-all approaches to problems, policymakers can tailor solutions to fit the expected responses of the people they seek to help.

Scholars attracted to experimental economics

Graduate students and postdoctoral scholars say List’s work attracted them to UChicago to conduct field research.

Anya Savikhin, a Griffin postdoctoral research scholar, has studied ways to encourage low-income children to choose healthier foods. She found that small incentives, such as giving students small toys for eating healthy foods, improved their food choices considerably, yet educational messages did not improve choices at all. Jeffrey A. Flory, a postdoctoral fellow at the [Becker Center on Chicago Price Theory](#), uses experiments in villages of Malawi to explore questions ranging from how matrilineal societies overturn beliefs about gender and key economic behaviors, to how the spread of formal banking affects the world’s poorest. He found, for example, that introducing formal savings can increase the sharing of wealth in villages, reducing hunger among the poorest households.

List relishes the opportunity to work with “the next generation of researchers in experimental economics.”

“These scholars are an integral part of the team. We’ll remain in partnership long after they mature into full professors,” he says. “Their work is very important in making progress in this field, as the economics sciences is ripe with questions of import that field experiments can address.”