

SHORT REVIEWS

JOHN D. HEY, *Experiments in Economics*, Oxford; Blackwell Publishers, 1991, pp. 242, £30.00 (cloth).

The central objective of this book is to stimulate both interest in and understanding of an additional technique by which economists can advance their subject. Experimental economics has largely been developed in the United States leaving behind many economists both in the United Kingdom and Europe. Through explanations of how experimental techniques have been used, in his own work and that of other economists, the author introduces the uninitiated and dispels common misgivings. For example, the use of laboratory experiments is often criticised as artificial in some sense. The book shows exactly how individuals are treated and react under experimental conditions and the doubtful can ask themselves if they would treat the situations presented as 'artificial'. As Hey argues (p.221) '...we use real people tackling real problems (usually) for real money. There is nothing artificial about this...'.

As the co-director of the Centre for Experimental Economics at York the author has a wealth of experience to share concerning the practical difficulties of setting up and running experiments. The successes and failures are discussed openly and advice is given on everything from selecting your subjects to appropriate software. This practical knowledge is the specific subject of chapter 3 but also comes through in the discussions of experiments.

The author seems particularly concerned to stimulate experimental research and to show Neoclassical economists how experimental techniques can provide the foundations for testing and advancing micro economic theory. While the methodology is well defended some points are only explicitly covered very briefly, in the early chapters and again at the end of the book. Thus, some intriguing issues concerning for example the nature of subjects (students versus 'real' people, students versus animals) are only briefly touched upon.

Perhaps with the sensitivities of his audience in mind, a large part of the book is set over to research on subjective expected utility theory and related theories. The other main areas covered are search theory, games and bargaining, and auctions and markets. Researchers in these areas unfamiliar with the results of experimental economics will find these chapters particularly valuable. A drawback of the extensive coverage given to uncertainty and individual decision making is the restricted coverage given to the broader applications of laboratory experiments (for example to the contingent valuation technique in environmental economics). Some idea of the potential is given in chapter 9, and chapter 14 is devoted to work in other areas. However, the latter serves only as a taster.

The book is intended for advanced undergraduates on a specialist course, postgraduates, and economists in general. The design includes a chapter explaining each of the theories to be tested followed by reviews of actual experiments and their implications. Despite this format the material is somewhat advanced to be classified as an introductory text.

Overall the book serves several purposes, namely: to explain experimental economics and its role in shaping theory, to show how individuals can adopt an experimental approach to their research, to describe the experiments which have been conducted in several areas which are regarded as the frontiers of economics, and to convince the doubtful of the importance of experimental methods.

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