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**Cash versus Extra-Credit Incentives**

**in Experimental Asset Markets**

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**Working Paper in Economics 17/21**

October 2017

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# Abstract

The research community in experimental economics has been increasingly encouraged to replicate studies and increase the sample size. While these suggestions have strong advantages, they also potentially increase the financial costs associated with data collection and, as a result, tamper the growth of experimental economics and limit the questions that may be addressed using experimental methods. In this paper, we explore the effectiveness of extra-credit as a reward medium, since it is financially less taxing. We focus on experimental asset markets since data is more costly to collect for these experiments, for example, a market (consisting of 8 to 12 traders) is an observation. Our treatment variable is the reward medium, either extra-credit or cash. We compare bubble measures in the two treatments and we find that bubbles observed in the extra-credit sessions are not significantly different from bubbles observed in the cash sessions. These results suggest that extra-credit is an effective reward medium in experimental asset markets.

**JEL Classification**

C91

# Keywords

asset market experiments

experiment incentives