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**Trading Institutions in Experimental Asset Markets: Theory and Evidence**

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**Working Paper in Economics 15/21**

December 2021

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# Abstract

We report the results of an experiment designed to study the role of trading institutions in the formation of bubbles and crashes in laboratory asset markets. We employ three trading institutions: Call Market, Double Auction and Tâtonnement. The results show that bubbles are significantly smaller in uniform-price institutions than in Double Auction. We reproduce this and other critical patterns of the data by calibrating a heterogeneous agent model with fundamental and myopic-noise traders. The model produces larger bubbles under Double Auction because multiple trades occur within a period, amplifying the impact of myopic traders with positive bias on transaction prices.

**JEL Classification**

C90, C91, D03, G02, G12

# Keywords

experimental asset markets

bubbles

traders’ heterogeneity

trading institutions