

Economists and policy-makers are increasingly turning into the experimental method as a mean to identify and measure causal effects. By using randomization to identify key treatment effects, theories previously viewed as untestable are now object of more rigorous validation. By the same token, the efficacy of public policies are now more easily verified using experiments as testbeds for alternative implementation mechanisms: stakeholders can now compare the relative efficiency/efficacy of alternative policies using experimental methods to aid their decision-making process and social choice (Harrison and List, 2004).

Experimental Economics has been one of the key tools in the research activities of our research group for the last 20 years, as it is well documented in various sections of this proposal. However, until very recently, we confined our research to laboratory experiments (with undergraduate subjects being the overwhelming majority of our subject pool), that is, methods that are inevitably subject to questions over the extent to which they generalize to non-laboratory settings (aka the external validity issue for Lab Experiments). The search for more generalizable experimental environments has led a growing connection with members (both at the level of Faculty that at the level of student exchange) of the Research Group coordinated by Professor John List at the Department of Economics at the University of Chicago, one of the pioneer center in the practice of field experiments in Economics.

As a result of this collaboration, our proposal aims at integrating theoretical analysis with lab and field experiments, to achieve a closer and more integrated interplay between theory and policy implications.

Along these lines, we organize this proposal in three subprojects:

1 Theory vs Lab (coord.: Coralio Ballester). The purpose of this subproject is to analyze three interconnected problems in applied and experimental economics based on off-equilibrium models of behavior. The building block is the level-k model of bounded rationality, that we adapt to include the possibility of free subjective beliefs.

2. Lab vs Field (coord.: Giovanni Ponti). The purpose of this subproject is to study-both in the lab and in the field- environments of economic interest in which individual face multidimensional uncertainty, that is, situations in which ambiguity characterizes additional domains (take, for example, monetary outcomes, or time of delivery) other than that of probabilities, of which most of the literature has been focusing so far.

3. Theory vs Policy (coord: Joel Sandońs). The purpose of this subproject is twofold: first, to formally explain the coexistence of different retail formats in the retailing sector; second, to investigate the strategic incentives of firms to engage in vertical FDI, which are different from the traditional wisdom stated in the literature.

This project is proposed as a natural continuation of the EC02015-65820-P project: LaTeX 2020: Made in Alicante, whose working group corresponds, far the most part, to that of this project. The main progress with respect to the previous project is a more behavioral approach to the issues addressed and, along with it, an effort to transfer the experimental methodology - which is already part of the research DNA of our Department- to the field environments, either from an experimental or from a policy point of view.