

Beck, Adrian; Kerschbamer, Rudolf; Qiu, Jianying; Sutter, Matthias

Working Paper

Car Mechanics in the Lab - Investigating the Behavior of Real Experts on Experimental Markets for Credence Goods

Working Papers in Economics and Statistics, No. 2009-27

Provided in Cooperation with:

Institute of Public Finance, University of Innsbruck

Suggested Citation: Beck, Adrian; Kerschbamer, Rudolf; Qiu, Jianying; Sutter, Matthias (2009) : Car Mechanics in the Lab - Investigating the Behavior of Real Experts on Experimental Markets for Credence Goods, Working Papers in Economics and Statistics, No. 2009-27, University of Innsbruck, Department of Public Finance, Innsbruck

This Version is available at:

<https://hdl.handle.net/10419/73491>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

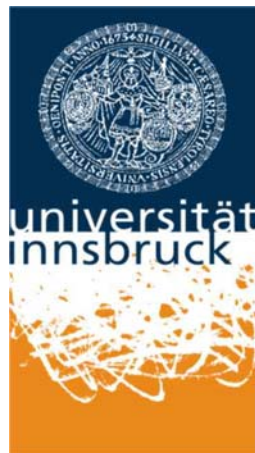
Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

University of Innsbruck



**Working Papers
in
Economics and Statistics**

**Car Mechanics in the Lab - Investigating the
Behavior of Real Experts on Experimental Markets
for Credence Goods**

Adrian Beck, Rudolf Kerschbamer, Jianying Qiu and
Matthias Sutter

2009-27

Car Mechanics in the Lab

Investigating the Behavior of Real Experts on Experimental Markets for Credence Goods

Adrian BECK^a

Rudolf KERSCHBAMER^b

Jianying QIU^{c,*}

Matthias SUTTER^d

^aDepartment of Economics, University of Innsbruck
Universitaetsstrasse 15, A - 6020 Innsbruck, Austria, Email: adrian.beck@uibk.ac.at

^bDepartment of Economics, University of Innsbruck
Universitaetsstrasse 15, A - 6020 Innsbruck, Austria, Email: rudolf.kerschbamer@uibk.ac.at

^cDepartment of Economics, University of Innsbruck
Universitaetsstrasse 15, A - 6020 Innsbruck, Austria, Email: jianying.qiu@uibk.ac.at

^dDepartment of Public Finance, University of Innsbruck
Universitaetsstrasse 15, A-6020 Innsbruck, Austria, Email: matthias.sutter@uibk.ac.at

*Corresponding author: Email: jianying.qiu@uibk.ac.at, Phone: +43-512-5077374, Fax: +43-512-5072980

Abstract

We compare the behavior of car mechanics and college students as sellers in experimental credence goods markets. Finding largely similar behavior, we note much more overtreatment by car mechanics, probably due to decision heuristics they learned in their professional training.

JEL classifications: C91, D82, C72

Keywords: Artefactual field experiment, Car mechanics, Credence goods

1 Introduction

Goods and services where an expert seller (he) knows more about the quality of a good a consumer needs than the consumer (she) herself are called credence goods. Although consumers can ex post observe the utility derived from the good, they do not know whether the received quality is the ex ante needed one. Consumers might even be unable to observe the received quality. Typical credence goods include car repairs, medical services, or software programming.

The informational asymmetries prevalent in credence goods markets can lead to several types of inefficiencies: (1) *undertreatment*, i.e. the provided quality is insufficient to satisfy the customer's need; (2) *overtreatment*, i.e. the provided quality is higher than needed; and (3) *overcharging*, i.e. the expert charges for a higher quality than provided. In a recent experimental study, Dulleck, Kerschbamer and Sutter (2009) (hereafter DKS) have examined the influence of different institutional/informational and market conditions on behavior on experimental credence goods markets. While they have run their experiment with college students, we use real car mechanics as expert sellers in order to explore whether the provision and charging behavior of real practitioners in credence goods markets differs from that of college students. By doing so, we contribute to the issue of external validity of results produced in laboratory experiments.

In previous years there has been considerable interest in running experiments with subject pools drawn from the field (rather than from a college) in order to make reliable inferences about behavior in the field. For example, Fehr and List (2004) show that CEOs trust more and are more trustworthy than students. Alevy et al. (2007) find that market professionals from the Chicago Board of Trade are better able to discern the quality of public signals than student subjects. However, Haigh and List (2005) report that the same professionals are even more prone to the effects of myopic loss aversion (see Gneezy and Potters, 1997).

Our paper is organized as follows. Section 2 introduces a simple model of a credence goods market. Section 3 presents the experimental procedure and Section 4 the results. Section 5 concludes.

2 The Credence Goods Model

Consider the following credence goods game (hereafter condition **B**), which is a simplified and parameterized version of a game studied by Dulleck and Kerschbamer (2006). There are two players, an expert seller and a customer. First, the expert posts two prices: P^L for a low quality service and P^H for a high quality service, where $P^L, P^H \in \{1, 2, \dots, 11\}$ and $P^L \leq P^H$. The customer gets to know these prices and then decides whether to stay out of the market or to interact with the expert. If the customer stays out, the game ends and both parties receive an outside option of 1.6 points. If the customer decides to interact with the expert, nature determines with equal probability the need for the low or the high quality service. The expert learns the customer's need and provides

either the low (q^L) or the high (q^H) quality, where the low (high) quality has costs of $c_L = 2$ ($c_H = 6$) points. Finally, the expert charges one of the posted prices: P^L if he claims to have provided the low quality and P^H otherwise. The customer receives a value of 10 points from the interaction if she receives a sufficient quality (i.e., if she needs the low quality and gets either the low or the high quality, or if she needs the high quality and gets it), otherwise she receives a value of zero. Whether or not the customer's need is satisfied, she must pay the price of the quality the expert claims to have provided. Figure 1 illustrates the sequence of moves in this game and the payoffs of each player.

In real credence goods markets various informational and institutional conditions might limit experts' fraudulent behavior. We consider two limitations on experts' strategy spaces (in comparison to condition **B**): *liability* (condition **L**), requiring that the expert provides a sufficient quality, and *verifiability* (condition **V**), requiring that the expert charges the price for the quality of service rendered. Thus, liability precludes *undertreatment*, and verifiability precludes *overcharging*. Note that liability does not preclude overcharging, whereas verifiability does not prohibit undertreatment. Neither of them prevents *overtreatment*.

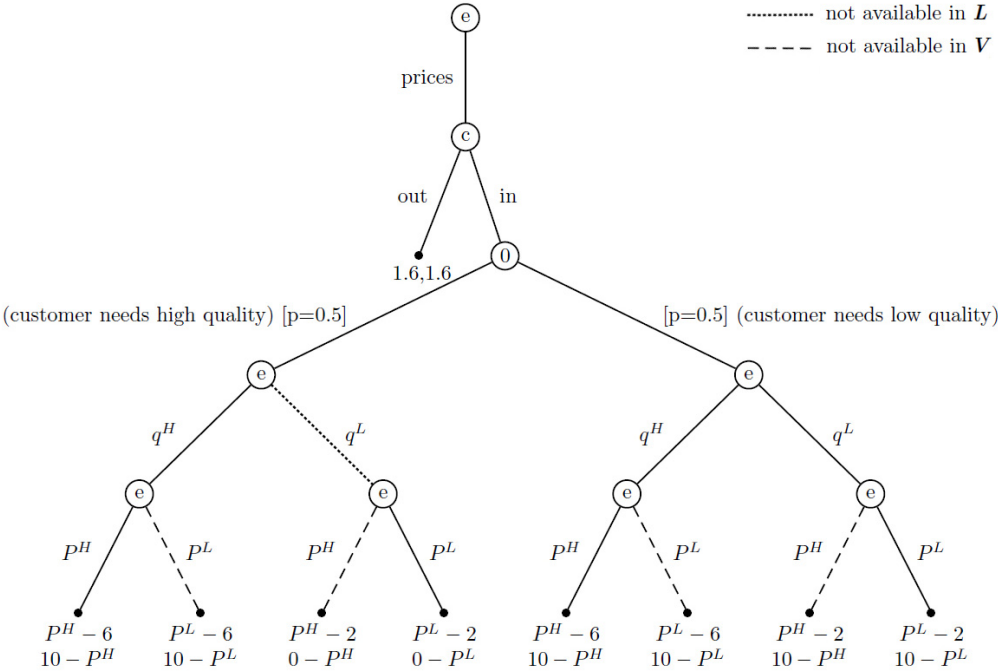


Figure 1: Game Tree

Assuming common knowledge that all players are rational and only interested in own material payoffs the three games can be solved via backward-induction: (i) In condition **B**, the expert always provides the low quality and charges for the high one. Anticipating this, the customer only enters if $P^H \leq 3$. But with such a P^H no expert is able to earn the value of his outside option. Thus, the market breaks down. (ii) In condition **L**, the expert always provides the appropriate quality and charges P^H . Anticipating this the consumer accepts if $P^H \leq 8$. Thus, the expert posts $P^H=8$ (P^L is irrelevant) and the customer enters the market. (iii) In condition **V**, the expert always chooses (and charges for) the quality with the higher mark-up defined as the difference between price and cost. Since consumers correctly anticipate this, the expert cannot gain by cheating. Thus, the expert posts the most profitable equal mark-up vector that is accepted - which is the vector $(P^L, P^H) = (6, 10)$ - and the customer enters the market.

3 Experimental Procedure

We recruited car mechanic apprentices in their third or fourth year of professional training from the “Tiroler Fachberufsschule für Kraftfahrzeugtechnik”, a vocational school located in Innsbruck, Austria. These apprentices work as regular employees at their respective auto repair shops and we use them as experts in our experiment. Students at the University of Innsbruck acted as customers. In total, 96 car mechanics and 96 undergraduate students participated in the computerized experiment (Fischbacher, 2007). Each session had 16 rounds. Four car mechanics and four students formed one independent matching group, with random re-matching of one car mechanic and one student after each round. The exchange rate between points and euros was 0.25 euro per point, and participants earned about 13 euros in less than 90 minutes.

DKS ran an experiment with the same procedure, but with a standard subject pool consisting of 280 college students. By comparing the results of the respective market conditions between DKS and our experiment, we are able to identify the effects of a change in subject pool and assess the external validity of their experimental results.

4 Experimental Results

In the following analysis we present data for rounds 7-16 in order to focus on experienced behavior of participants. Note that all results stay qualitatively the same when all periods are included.

Table 1 provides descriptive statistics for all experimental conditions, where B , L and V indicate the three institutional conditions introduced above and subscript C or S refers to car mechanics or students, respectively, in the role of sellers. Interaction is calculated as the proportion of cases where customers agree to interact. Efficiency is calculated as the ratio of the actual average profit per period less the outside option and the maximum possible average profit per period less the outside option. Undertreatment (overtreatment) is calculated as the relative frequency with which the expert provides the low (high) quality when the customer needs the high (low) one. In order to make overcharging comparable between conditions B and L , we define overcharging as satisfying the following conditions: (i) $P^H > P^L$, (ii) the customer needs the low quality, and (iii) the expert provides the low quality, but charges for the high one. Profits refer to averages per period, measured in points.

<i>Experts are:</i>	<i>Car Mechanics</i>			<i>Students</i>		
	B_C	L_C	V_C	B_S	L_S	V_S
Interaction	0.45	0.68	0.48	0.39	0.82	0.45
Efficiency	0.09	0.64*	0.22	0.16	0.88	0.14
Undertreatment	0.68	-	0.49	0.58	-	0.63
Overtreatment	0.11*	0.07*	0.20**	0.04	0.00	0.01
Overcharging	0.78	0.69	-	0.90	0.79	-
Profits of Experts	2.40	2.66*	2.13	2.55	3.60	2.45
Profits Customers	1.04	2.34	1.68	1.09	2.06	1.13
Number of Subjects	64	64	64	96	96	88

Table 1: Descriptive Statistics

(**/*) difference to experiment with other subject pool significant at the 1% / 5% level (two-sided Wilcoxon rank-sum test)

Result 1. *Regardless of whether experts are car mechanics or students, (i) markets under condition B perform better than standard theory predicts, (ii) markets under condition V perform worse than standard theory predicts, and (iii) imposing L has a large and significant effect on interaction rates and efficiency, while imposing V does not.*

Support: (i) The interaction ratio is 0.45 in B_C , respectively 0.39 in B_S which refutes the theoretical prediction of no interaction. In part, this is a consequence of experts' behavior (actual undertreatment and overcharging ratios are significantly below the predicted level of 100% which increases incentives for customers to enter the market), in part consumers are responsible (they are too credulous as they enter the market although it does not pay to do so).

(ii) and (iii) The benchmark solution suggests that both liability and verifiability should increase interaction rates up to 100%. However, only liability, but not verifiability, significantly increases the interaction rate in comparison to condition **B**, controlling for the subject pool. The insignificant effect of verifiability on interaction – compared to condition **B** – is driven by two factors. (a) The prediction for *V* is based on expert sellers posting equal mark-up vectors. Such vectors are very rarely chosen in V_C (10%) and in V_s (2%), though. (b) The benchmark solution assumes that experts provide the appropriate quality under equal mark-up price vectors. However, experts frequently over- or undertreat even under such vectors.

While there is no significant subject pool effect in undertreatment and overcharging ratios in the different institutional conditions, we find strong differences between the behavior of students and car mechanics with respect to overtreatment in all of them:

Result 2. *Car mechanics provide overtreatment much more often than student experts.*

Support: In all 3 institutional conditions, car mechanics provide the high quality when the low one is needed significantly more often than students. Notice that under conditions **B** and **L**, overtreatment causes unnecessary costs for the expert while the customer does not benefit. Thus, from an economic point of view overtreatment is pure waste. Also, in condition *V* and under undertreatment price vectors (i.e., $P^L - 2 > P^H - 6$) – where experts should provide the low quality to maximize their profit – we find significantly higher overtreatment ratios among car mechanics than among students in each single condition.

Car mechanics' professional trainings, routines, and norms could induce them to use decision heuristics different from those of students. In the current experiment, car mechanics are introduced to the new, unfamiliar environment of an economic experiment. When facing such an environment it seems natural that car mechanics rely on decision heuristics for similar situations experienced in the field. In this sense, the tendency of car mechanics to overtreat seems to be consistent with the incentives they face in everyday life. In the car repairing business undertreatment often implies serious consequences or is simply not possible, either due to institutional constraints or the car mechanic's concern about his reputation. Overtreatment, on the other hand, is difficult to detect and punish. Combined with the fact that in real life a diagnosis is typically

subject to errors, this yields strong overtreatment incentives.¹ In the lab subjects seem to take quite some time to learn that diagnosis is perfect and that undertreatment has no immediate consequence for them. Figure 2 provides the development of the overtreatment ratio over the last 10 periods in all six conditions. Overtreatment ratios of car mechanics start much higher and remain much higher – despite falling over time – than those of student sellers.

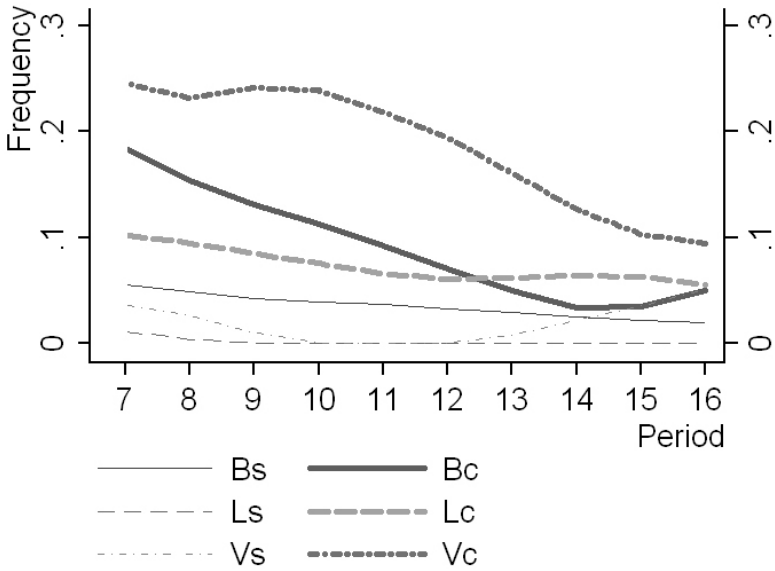


Figure 2: Overtreatment Over Time

5 Conclusion

Our results show that most findings regarding behavior on experimental credence goods markets are robust to a change in the subject pool. However, when comparing the provision behavior of car mechanics with that of a standard subject pool, we find that car mechanics have a strong propensity to provide unnecessary repairs. Since in the car repairing business – as in many other credence goods markets – overtreatment is hardly detectable and profitable, this behavior reveals patterns consistent with the incentives car mechanics face in their everyday professional life.

¹ This might explain why overtreatment is a core problem in car repair. For instance, Wolinsky (1993) refers to a survey conducted by the US Department of Transportation, estimating that more than half of car repairs are unnecessary.

References

- Alevy, J., Haigh, M., List, J., 2007, Information Cascades: Evidence from a Field Experiment with Financial Market Professionals, *Journal of Finance* 62, 151-180.
- Dulleck, U., Kerschbamer, R., 2006, On Doctors, Mechanics, and Computer Specialists: The Economics of Credence Goods, *Journal of Economic Literature* 44, 5-42.
- Dulleck, U., Kerschbamer, R., Sutter, M., 2009, The Economics of Credence Goods: On the Role of Liability, Verifiability, Reputation and Competition, *American Economic Review*, forthcoming.
- Fehr, E., List, J., 2004, The Hidden Costs and Returns of Incentives-Trust and Trustworthiness Among CEOs, *Journal of the European Economic Association* 2, 743-771.
- Fischbacher, U., 2007, Z-tree: Zürich Toolbox for Readymade Economic Experiments, *Experimental Economics* 10, 171-178.
- Gneezy, U., Potters, J., 1997, An Experiment on Risk Taking and Evaluation Periods, *Quarterly Journal of Economics* 112, 631-645.
- Haigh, M., List, J. A., 2005, Do Professional Traders Exhibit Myopic Loss Aversion?, *Journal of Finance* 60, 523-534.
- Wolinsky, A., 1993, Competition in a Market for Informed Experts' Services, *RAND Journal of Economics* 24, 380-398.

University of Innsbruck – Working Papers in Economics and Statistics

Recent papers

- 2009-27 **Adrian Beck, Rudolf Kerschbamer, Jianying Qiu and Matthias Sutter:** Car Mechanics in the Lab - Investigating the Behavior of Real Experts on Experimental Markets for Credence Goods
- 2009-26 **Michael Kirchler, Jürgen Huber and Thomas Stöckl:** Bubble or no Bubble - The Impact of Market Model on the Formation of Price Bubbles in Experimental Asset Markets
- 2009-25 **Rupert Sausgruber and Jean-Robert Tyran:** Tax Salience, Voting, and Deliberation
- 2009-24 **Gerald J. Pruckner and Rupert Sausgruber:** Honesty on the Streets - A Natural Field Experiment on Newspaper Purchasing
- 2009-23 **Gerlinde Fellner, Rupert Sausgruber and Christian Traxler:** Testing Enforcement Strategies in the Field: Legal Threat, Moral Appeal and Social Information
- 2009-22 **Ralph-C. Bayer, Elke Renner and Rupert Sausgruber:** Confusion and Reinforcement Learning in Experimental Public Goods Games
- 2009-21 **Sven P. Jost:** Transfer Pricing Risk Awareness of Multinational Corporations - Evidence from a Global Survey
- 2009-20 **Andrea M. Leiter and Engelbert Theurl:** The Convergence of Health Care Financing Structures: Empirical Evidence from OECD-Countries
- 2009-19 **Francesco Feri and Miguel A. Meléndez-Jiménez:** Coordination in Evolving Networks with Endogenous Decay
- 2009-18 **Harald Oberhofer:** Firm growth, European industry dynamics and domestic business cycles
- 2009-17 **Jesus Crespo Cuaresma and Martin Feldkircher:** Spatial Filtering, Model Uncertainty and the Speed of Income Convergence in Europe
- 2009-16 **Paul A. Raschky and Manijeh Schwindt:** On the Channel and Type of International Disaster Aid
- 2009-15 **Jianying Qiu:** Loss aversion and mental accounting: The favorite-longshot bias in parimutuel betting
- 2009-14 **Siegfried Berninghaus, Werner Güth, M. Vittoria Levati and Jianying Qiu:** Satisficing in sales competition: experimental evidence
- 2009-13 **Tobias Bruenner, Rene Levinský and Jianying Qiu:** Skewness preferences and asset selection: An experimental study
- 2009-12 **Jianying Qiu and Prashanth Mahagaonkar:** Testing the Modigliani-Miller theorem directly in the lab: a general equilibrium approach
- 2009-11 **Jianying Qiu and Eva-Maria Steiger:** Understanding Risk Attitudes in two Dimensions: An Experimental Analysis
- 2009-10 **Erwann Michel-Kerjan, Paul A. Raschky and Howard C. Kunreuther:** Corporate Demand for Insurance: An Empirical Analysis of the U.S. Market for Catastrophe and Non-Catastrophe Risks
- 2009-09 **Fredrik Carlsson, Peter Martinsson, Ping Qin and Matthias Sutter:** Household decision making and the influence of spouses' income, education, and communist party membership: A field experiment in rural China
- 2009-08 **Matthias Sutter, Peter Lindner and Daniela Platsch:** Social norms, third-party observation and third-party reward
- 2009-07 **Michael Pfaffermayr:** Spatial Convergence of Regions Revisited: A Spatial Maximum Likelihood Systems Approach
- 2009-06 **Reimund Schwarze and Gert G. Wagner:** Natural Hazards Insurance in Europe – Tailored Responses to Climate Change Needed
- 2009-05 **Robert Jiro Netzer and Matthias Sutter:** Intercultural trust. An experiment in Austria and Japan
- 2009-04 **Andrea M. Leiter, Arno Parolini and Hannes Winner:** Environmental Regulation and Investment: Evidence from European Industries

- 2009-03 **Uwe Dulleck, Rudolf Kerschbamer and Matthias Sutter:** The Economics of Credence Goods: On the Role of Liability, Verifiability, Reputation and Competition. *Revised version accepted (subject to minor revision) for publication in American Economic Review.*
- 2009-02 **Harald Oberhofer and Michael Pfaffermayr:** Fractional Response Models - A Replication Exercise of Papke and Wooldridge (1996)
- 2009-01 **Loukas Balafoutas:** How do third parties matter? Theory and evidence in a dynamic psychological game.
-
- 2008-27 **Matthias Sutter, Ronald Bosman, Martin Kocher and Frans van Winden:** Gender pairing and bargaining – Beware the same sex! *Revised version published in Experimental Economics, Vol. 12 (2009): 318-331.*
- 2008-26 **Jesus Crespo Cuaresma, Gernot Doppelhofer and Martin Feldkircher:** The Determinants of Economic Growth in European Regions.
- 2008-25 **Maria Fernanda Rivas and Matthias Sutter:** The dos and don'ts of leadership in sequential public goods experiments.
- 2008-24 **Jesus Crespo Cuaresma, Harald Oberhofer and Paul Raschky:** Oil and the duration of dictatorships.
- 2008-23 **Matthias Sutter:** Individual behavior and group membership: Comment. *Revised Version forthcoming in American Economic Review.*
- 2008-22 **Francesco Feri, Bernd Irlenbusch and Matthias Sutter:** Efficiency Gains from Team-Based Coordination – Large-Scale Experimental Evidence. *Revised and extended version forthcoming in American Economic Review.*
- 2008-21 **Francesco Feri, Miguel A. Meléndez-Jiménez, Giovanni Ponti and Fernando Vega Redondo:** Error Cascades in Observational Learning: An Experiment on the Chinos Game.
- 2008-20 **Matthias Sutter, Jürgen Huber and Michael Kirchler:** Bubbles and information: An experiment.
- 2008-19 **Michael Kirchler:** Curse of Mediocrity - On the Value of Asymmetric Fundamental Information in Asset Markets.
- 2008-18 **Jürgen Huber and Michael Kirchler:** Corporate Campaign Contributions as a Predictor for Abnormal Stock Returns after Presidential Elections.
- 2008-17 **Wolfgang Brunauer, Stefan Lang, Peter Wechselberger and Sven Bienenert:** Additive Hedonic Regression Models with Spatial Scaling Factors: An Application for Rents in Vienna.
- 2008-16 **Harald Oberhofer, Tassilo Philippovich:** Distance Matters! Evidence from Professional Team Sports.
- 2008-15 **Maria Fernanda Rivas and Matthias Sutter:** Wage dispersion and workers' effort.
- 2008-14 **Stefan Borsky and Paul A. Raschky:** Estimating the Option Value of Exercising Risk-taking Behavior with the Hedonic Market Approach. *Revised version forthcoming in Kyklos.*
- 2008-13 **Sergio Currarini and Francesco Feri:** Information Sharing Networks in Oligopoly.
- 2008-12 **Andrea M. Leiter:** Age effects in monetary valuation of mortality risks - The relevance of individual risk exposure.
- 2008-11 **Andrea M. Leiter and Gerald J. Pruckner:** Dying in an Avalanche: Current Risks and their Valuation.
- 2008-10 **Harald Oberhofer and Michael Pfaffermayr:** Firm Growth in Multinational Corporate Groups.
- 2008-09 **Michael Pfaffermayr, Matthias Stöckl and Hannes Winner:** Capital Structure, Corporate Taxation and Firm Age.
- 2008-08 **Jesus Crespo Cuaresma and Andreas Breitenfellner:** Crude Oil Prices and the Euro-Dollar Exchange Rate: A Forecasting Exercise.
- 2008-07 **Matthias Sutter, Stefan Haigner and Martin Kocher:** Choosing the carrot or the stick? – Endogenous institutional choice in social dilemma situations.

- 2008-06 **Paul A. Raschky and Manijeh Schwindt:** Aid, Catastrophes and the Samaritan's Dilemma.
- 2008-05 **Marcela Ibanez, Simon Czermak and Matthias Sutter:** Searching for a better deal – On the influence of group decision making, time pressure and gender in a search experiment. *Revised version published in Journal of Economic Psychology, Vol. 30 (2009): 1-10.*
- 2008-04 **Martin G. Kocher, Ganna Pogrebna and Matthias Sutter:** The Determinants of Managerial Decisions Under Risk.
- 2008-03 **Jesus Crespo Cuaresma and Tomas Slacik:** On the determinants of currency crises: The role of model uncertainty. *Revised version accepted for publication in Journal of Macroeconomics*
- 2008-02 **Francesco Feri:** Information, Social Mobility and the Demand for Redistribution.
- 2008-01 **Gerlinde Fellner and Matthias Sutter:** Causes, consequences, and cures of myopic loss aversion - An experimental investigation. *Revised version published in The Economic Journal, Vol. 119 (2009), 900-916.*
-
- 2007-31 **Andreas Exenberger and Simon Hartmann:** The Dark Side of Globalization. The Vicious Cycle of Exploitation from World Market Integration: Lesson from the Congo.
- 2007-30 **Andrea M. Leiter and Gerald J. Pruckner:** Proportionality of willingness to pay to small changes in risk - The impact of attitudinal factors in scope tests. *Revised version forthcoming in Environmental and Resource Economics.*
- 2007-29 **Paul Raschky and Hannelore Weck-Hannemann:** Who is going to save us now? Bureaucrats, Politicians and Risky Tasks.
- 2007-28 **Harald Oberhofer and Michael Pfaffermayr:** FDI versus Exports. Substitutes or Complements? A Three Nation Model and Empirical Evidence.
- 2007-27 **Peter Wechselberger, Stefan Lang and Winfried J. Steiner:** Additive models with random scaling factors: applications to modeling price response functions.
- 2007-26 **Matthias Sutter:** Deception through telling the truth?! Experimental evidence from individuals and teams. *Revised version published in The Economic Journal, Vol. 119 (2009), 47-60.*
- 2007-25 **Andrea M. Leiter, Harald Oberhofer and Paul A. Raschky:** Productive disasters? Evidence from European firm level data. *Revised version forthcoming in Environmental and Resource Economics.*
- 2007-24 **Jesus Crespo Cuaresma:** Forecasting euro exchange rates: How much does model averaging help?
- 2007-23 **Matthias Sutter, Martin Kocher and Sabine Strauß:** Individuals and teams in UMTS-license auctions. *Revised version with new title "Individuals and teams in auctions" published in Oxford Economic Papers, Vol. 61 (2009): 380-394).*
- 2007-22 **Jesus Crespo Cuaresma, Adusei Jumah and Sohbet Karbuz:** Modelling and Forecasting Oil Prices: The Role of Asymmetric Cycles. *Revised version accepted for publication in The Energy Journal.*
- 2007-21 **Uwe Dulleck and Rudolf Kerschbamer:** Experts vs. discounters: Consumer free riding and experts withholding advice in markets for credence goods. *Revised version published in International Journal of Industrial Organization, Vol. 27, Issue 1 (2009): 15-23.*
- 2007-20 **Christiane Schwieren and Matthias Sutter:** Trust in cooperation or ability? An experimental study on gender differences. *Revised version published in Economics Letters, Vol. 99 (2008): 494-497.*
- 2007-19 **Matthias Sutter and Christina Strassmair:** Communication, cooperation and collusion in team tournaments – An experimental study. *Revised version published in: Games and Economic Behavior, Vol.66 (2009), 506-525.*

- 2007-18 **Michael Hanke, Jürgen Huber, Michael Kirchler and Matthias Sutter:** The economic consequences of a Tobin-tax – An experimental analysis. *Revised version forthcoming in Journal of Economic Behavior and Organization.*
- 2007-17 **Michael Pfaffermayr:** Conditional beta- and sigma-convergence in space: A maximum likelihood approach. *Revised version forthcoming in Regional Science and Urban Economics.*
- 2007-16 **Anita Gantner:** Bargaining, search, and outside options. *Published in: Games and Economic Behavior, Vol. 62 (2008), pp. 417-435.*
- 2007-15 **Sergio Currarini and Francesco Feri:** Bilateral information sharing in oligopoly.
- 2007-14 **Francesco Feri:** Network formation with endogenous decay.
- 2007-13 **James B. Davies, Martin Kocher and Matthias Sutter:** Economics research in Canada: A long-run assessment of journal publications. *Revised version published in: Canadian Journal of Economics, Vol. 41 (2008), 22-45.*
- 2007-12 **Wolfgang Luh, Martin Kocher and Matthias Sutter:** Group polarization in the team dictator game reconsidered. *Revised version published in: Experimental Economics, Vol. 12 (2009), 26-41.*
- 2007-11 **Onno Hoffmeister and Reimund Schwarze:** The winding road to industrial safety. Evidence on the effects of environmental liability on accident prevention in Germany.
- 2007-10 **Jesus Crespo Cuaresma and Tomas Slacik:** An “almost-too-late” warning mechanism for currency crises. *(Revised version accepted for publication in Economics of Transition)*
- 2007-09 **Jesus Crespo Cuaresma, Neil Foster and Johann Scharler:** Barriers to technology adoption, international R&D spillovers and growth.
- 2007-08 **Andreas Brezger and Stefan Lang:** Simultaneous probability statements for Bayesian P-splines.
- 2007-07 **Georg Meran and Reimund Schwarze:** Can minimum prices assure the quality of professional services?.
- 2007-06 **Michal Brzoza-Brzezina and Jesus Crespo Cuaresma:** Mr. Wicksell and the global economy: What drives real interest rates?.
- 2007-05 **Paul Raschky:** Estimating the effects of risk transfer mechanisms against floods in Europe and U.S.A.: A dynamic panel approach.
- 2007-04 **Paul Raschky and Hannelore Weck-Hannemann:** Charity hazard - A real hazard to natural disaster insurance. *Revised version forthcoming in: Environmental Hazards.*
- 2007-03 **Paul Raschky:** The overprotective parent - Bureaucratic agencies and natural hazard management.
- 2007-02 **Martin Kocher, Todd Cherry, Stephan Kroll, Robert J. Netzer and Matthias Sutter:** Conditional cooperation on three continents. *Revised version published in: Economics Letters, Vol. 101 (2008): 175-178.*
- 2007-01 **Martin Kocher, Matthias Sutter and Florian Wakolbinger:** The impact of naïve advice and observational learning in beauty-contest games.

University of Innsbruck

Working Papers in Economics and Statistics

2009-27

Adrian Beck, Rudolf Kerschbamer, Jianying Qiu and Matthias Sutter

Car Mechanics in the Lab - Investigating the Behavior of Real Experts on Experimental Markets for Credence Goods

Abstract

We compare the behavior of car mechanics and college students as sellers in experimental credence goods markets. Finding largely similar behavior, we note much more overtreatment by car mechanics, probably due to decision heuristics they learned in their professional training.

ISSN 1993-4378 (Print)
ISSN 1993-6885 (Online)