Does Laboratory Trading Mirror Behavior in Real World Markets?
Fair Bargaining and Competitive Bidding on EBay

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We conducted a controlled field experiment on eBay and examined to what extent both social and competitive laboratory behavior is robust to institutionally complex real world markets with experienced traders, who selected themselves into these markets. EBay's institutions provide bridges between lab and field environment that can be exploited to explore differences in behavior in the two environments, and we introduce control into the eBay environment only to the extent necessary to obtain clear theoretical predictions. We find that many sellers do not make use of their commitment power as predicted by standard theories of both selfish and social behavior. However, a concern for equity strongly affects outcomes and reputation building in bilateral bargaining, while buyer competition effectively masks this concern and robustly yields equilibrium outcomes. The dichotomy of behaviors mirrors observations in laboratory research. Furthermore, we find that behavioral patterns in the field experiment mirror fully naturally occurring trading patterns in the market.