Experimental Asset Markets: A Survey

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Capital or asset markets are distinguished from other markets by the informational role of prices and by the duality of the traders’ role: each trader may buy and sell asset(s) in exchange for money or some other numeraire commodity. Although prices in other markets may inform the participants in the sense of making them aware of their opportunity sets, prices in capital markets inform the traders substantively as determinants of their endogenously formed demand and supply. Asymmetry of information among the traders is an essential ingredient for prices to have an informational role, and I use this as the defining characteristic of capital or asset markets research covered in this review.

Information dissemination and aggregation can occur, but does not occur under all conditions. When it does occur, it is rarely instantaneous or perfect. Although such lags and imperfections often annoy the theorists, they can be surprisingly small when we consider the complexity of task facing the traders, and the documented limitations of human information processing (see Camerer, chapter 8 in this volume).