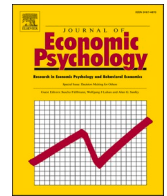




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Book review

The economic experience: an introduction through experiments: Charles A. Holt and Erica Sprott, Princeton University Press, Oxford, UK and Princeton, New Jersey, USA, pp. 288, 2001, ISBN 9780691264110, \$39.95/£35.00.

The central goal of the book is to make students active participants in the discovery of economic principles by engaging them through classroom or online experiments that replicate key market, social, and psychological mechanisms underlying strategic interactions. Rather than explaining theory first and exposing it to empirical evidence later, the book inverts the process: after a concise introduction, students first experience economic behavior directly and then reflect on how these outcomes reveal the logic of markets, incentives, and cooperation. Each chapter pairs a clear conceptual introduction with detailed experimental instructions, lab report templates, and follow-up analyses, creating a comprehensive framework for experiential learning in economics. As a result, we believe the volume serves less as a self-contained textbook and more as a practical manual for instructors who would like to supplement their economics course with experiments. Overall, by combining behavioral insights with traditional economic reasoning, Holt and Sprott encourage students to think critically about how real people make decisions and shape economic outcomes, situating them in a thought-provoking environment.

The book is organized into sixteen chapters that progress from individual decision-making to macroeconomic coordination. Opening the book, Chapter 1 immerses students in the behavioral foundations of economic interaction through Trust, Bargaining, and Dictator Games, revealing how fairness, reciprocity, and altruism shape choices that transcend purely self-interested models. The next chapter shifts attention to the productive side of the economy, using a Production Game to demonstrate how specialization and trade grounded in comparative advantage transform individual resource constraints into collective efficiency. Building on these insights, Chapter 3 explores how consumer preferences translate into demand, using interactive experiments to illustrate willingness to pay, marginal utility, demand curves, and how changes in tastes or market conditions shift demand. Chapter 4 shows through the classic Call Market experiment how decentralized price mechanisms coordinate buyers and sellers, equilibrating supply and demand while exposing the informational and incentive roles of prices. In Chapter 5, the Opportunity Cost experiment illustrates how rational production involves weighing foregone alternatives rather than sunk investments and how such reasoning underlies the supply curve. Delving deeper into production decisions, Chapter 6 examines the structure of costs through the Cost Curves experiment, tracing the interplay of fixed, variable, and marginal costs while integrating behavioral insights into the biases that can distort optimal output choices. Departing from perfect competition, Chapter 7 places students within monopoly and oligopoly settings to show how market power, elasticity, and strategic interdependence determine prices and output, supplemented by the “lemons” framework to highlight efficiency losses from asymmetric information. Chapter 8 addresses collective action through the Public Good experiment, illustrating how non-excludability and non-rivalry foster free-riding and under-provision, and how communication, norms, and institutional design can sustain cooperation and mitigate market failure. Expanding the scope to shared resources, Chapter 9 investigates externalities and common-pool dilemmas through experiments that reveal how individual incentives can produce overuse and inefficiency, while the discussion of property rights, collective action, and institutional rules highlights mechanisms that can align private incentives with socially efficient outcomes. Broadening the lens to non-market rivalry, Chapter 10 examines rent-seeking behavior, showing how costly competition for fixed rewards dissipates value and how alternative allocation mechanisms—from beauty contests to matching systems—can entrench inefficiency when incentives reward position over productivity. Turning to uncertainty, Chapter 11 guides students through risk-elicitation experiments that illuminate deviations from expected-utility theory—manifest in loss aversion, probability weighting, and the Allais paradox—and situates these findings within prospect theory. At the intersection of strategy and cooperation, Chapter 12 employs coordination and dilemma games to expose the tension between individual rationality and collective welfare, formalizing these dynamics through equilibrium concepts and demonstrating how communication and repetition can transform strategic outcomes. Focusing on the dynamics of auctions, Chapter 13 engages participants in common- and private-value bidding environments to uncover the logic of the winner’s curse and to compare how different auction formats influence efficiency, information revelation, and fairness in market design. Addressing the stability of financial institutions, Chapter 14 recreates

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the mechanics of bank runs to show how self-fulfilling expectations and liquidity constraints can trigger systemic crises, linking individual behavior to macro-level fragility and the regulatory instruments devised to contain it. Exploring the valuation of assets, Chapter 15 uses an experimental asset-market game to demonstrate how expectations, discounting, and behavioral biases—such as overconfidence and present bias—shape price formation and contribute to speculative bubbles and volatility. Concluding the sequence, Chapter 16 elevates the analysis to a macroeconomic simulation in which micro-level decisions about production, employment, and consumption generate aggregate outcomes, illustrating how behavioral tendencies and adaptive expectations influence inflation, output, and overall economic coordination.

A typical chapter in *The Economic Experience* follows a consistent, carefully integrated structure that blends theory, practice, and reflection into a unified pedagogical cycle. Each chapter opens with an *Introduction and Motivation* section that situates the topic within its historical, philosophical, or real-world context, framing the upcoming experiment as part of a broader inquiry into economic behavior rather than a classroom exercise. This is followed by *Experimental Instructions*, always linked to Veconlab, which enables students to participate directly in experiments, allowing them to generate their own data and observe theory in action. *The Lab Report* then guides students through analysis and interpretation, prompting them to compare outcomes with theoretical predictions and reflect on behavioral motives like fairness or reciprocity; this reflective component, central to the book's learning philosophy, deepens understanding through critical discussion and peer engagement. While some chapters extend the analysis through *General Additional Information* subsections that connect classroom findings to established research, the recurring *What Economists Do* section highlights real-world studies and field experiments, reinforcing the discipline's empirical nature, although the choice of topics in this section sometimes appears somewhat arbitrary. The closing sections—*Summary and Preview*, *Notes* and *Software Suggestions*, and *Quiz Yourself*—consolidate lessons, provide practical teaching resources, and enable self-assessment, completing the typical classroom session proposed by Holt and Sprott. The design fosters engagement and inductive reasoning, though it also demands active participation and class time, making it more effective in interactive settings but less suited to more traditional lecture-based formats.

Among the book's most significant strengths is its innovative, hands-on approach to teaching economics. The major advantage is that, rather than relying solely on lectures or problem sets, it engages students in structured classroom experiments that recreate real market interactions. By acting as buyers, sellers, or policymakers, learners witness the consequences of their decisions and internalize key principles through direct experience. Another strength of the book is its behavioral focus: drawing on experimental and behavioral economics, Holt and Sprott show how real people's trust, cooperation, competition, as well as cognitive constraints often lead behavior to diverge from the assumptions of perfect rationality. This perspective makes economic concepts more realistic and relatable, linking theory to the psychological and social dimensions of decision-making. Designed with pedagogy in mind, each chapter includes detailed experimental instructions, warm-up tasks, and online resources that simplify classroom implementation and encourage collaboration and reflection. The text covers both foundational and advanced topics—from opportunity cost and trade to public goods, auctions, and financial bubbles—connecting micro-level behavior to macroeconomic outcomes. Its modular structure allows chapters to be read independently, giving instructors flexibility to adapt the material to different course formats and learning goals. Recurrent themes—which some (e.g., more experienced) readers might perceive as somewhat redundant—we believe, reinforce understanding, helping newcomers build conceptual mastery through repetition in varied contexts. Ultimately, *The Economic Experience* embodies a modern, evidence-based vision of economics education. By combining participation, data analysis, and reflection, it cultivates curiosity, critical thinking, and empirical reasoning, making it not only an instructor's manual but also a toolkit for active, research-informed learning.

While *The Economic Experience* offers an engaging and innovative approach, it also presents several challenges. To begin with, its experimental format demands considerably more time, preparation, and active participation than traditional textbooks. Instructors must devote class sessions to organizing and running experiments, which can be logistically demanding in large or resource-limited settings. Teachers used to lecture-based methods may find the transition challenging, and students who prefer passive learning may initially struggle with the high level of interaction required. The book's effectiveness thus depends heavily on the willingness of both instructors and learners to fully engage with its format. Another limitation lies in its relatively modest emphasis on formal theoretical and mathematical rigor. While experiments vividly illustrate core principles, the text offers limited theoretical modeling. Students preparing for advanced study in economics or finance therefore need supplementary materials focused on quantitative methods. Similarly, the interactive design works best in small or medium-sized classes, where discussion and feedback are manageable; in very large or online settings, replicating the same depth of engagement becomes difficult.

Finally, we turn to what we consider major points of criticism that extend beyond those (discussed above and) related to pedagogy. While rich in behavioral content, the book omits several key areas of modern experimental research—topics such as (biased) information processing, learning dynamics, social norms, and moral philosophy—that now constitute major strands of behavioral economics. Furthermore, the book rarely connects classroom experiments to broader empirical syntheses, *meta*-analyses, or cross-cultural findings that demonstrate how behavior varies across societies, genders, and contexts. As a result, readers gain vivid insight into specific experimental outcomes but less appreciation for their generalizability. We believe expanding future editions to integrate these dimensions would strengthen the text's analytical depth and its representation of contemporary behavioral economics.

In our opinion, *The Economic Experience* is best understood as a guided manual or instructional companion rather than a conventional self-contained textbook. Its writing style is clear and structured, combining conceptual explanation with step-by-step guidance that supports both understanding and implementation of experiments. With its accessible tone that fosters curiosity and active participation, the book is ideally suited for undergraduate and early graduate students in experimental, behavioral, or microeconomics courses, as well as for instructors seeking to integrate hands-on experiments into their teaching. Although a highly motivated student could, in principle, use it for independent study, doing so would require arranging, executing, and interpreting experiments alone—an ambitious and demanding task for most undergraduates. Having said that, we believe that the book's greatest

strength lies not in replacing standard economics texts but in complementing them, serving as a rich pedagogical toolkit for instructors and an active-learning companion that brings economic ideas to life through participation, reflection, and guided inquiry.

Compared with traditional, self-paced textbooks such as Mankiw's (1998) *Principles of Economics* and Acemoglu, Laibson, and List's (2015) *Economics*, Holt and Sprott's volume assumes a more interactive and collaborative learning environment with a more heterogeneous student background, positioning it closer in spirit to Bergstrom and Miller's (1999) *Experiments with Economic Principles*, Cassar and Friedman's (2004) *Economics Lab*, and Angner's (2016) *A Course in Behavioral Economics*.

Overall, *The Economic Experience* by Holt and Sprott is a highly active experiment-based introduction to economics that teaches core principles through participation, observation, and reflection rather than passive reading. Serving as a helpful companion for courses in experimental, behavioral, or microeconomics, the book guides students through structured classroom experiments. Its clear structure and hands-on learning experience make it a refreshing and effective teaching tool that introduces a behavioral perspective, constituting an important and insightful—albeit only one of many—step on the broader path toward understanding economics as an evidence-based and multidimensional discipline.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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