

Abstract

In this paper, we investigate a model of dynamic sealed-bid double auction markets with divisible fiat money in a laboratory setting. In the model, the value of money is endogenously determined and there exist multiple equilibria with different prices and different efficiency levels. The main observations in laboratory are as follows. While price and efficiency level are lower in experiment than in theory, we observe the neutrality of money, in other words, doubling the initial amount of money has no real effect on market outcomes. On the other hand, we observe the initial money holdings distribution matters; a more even initial money holdings distribution leads to less efficient transactions. We also find some subjects appear to accumulate more money than that our candidate strategy instructs. We also observe some asymmetry between sellers and buyers in decision making. Many subjects appear to adopt our candidate buyer strategy, while the sellers' strategies appear to be more volatile and heterogeneous.