

Experimental Economics

Econ 430/530

Course Instructor: Seda Ertac

Class Times: Tue.-Thu. 12:30-13:45

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Office Hours: Tue. 4-6 pm.

Course Description: This course aims to introduce students to the increasingly popular field of experimental economics. The course is designed to teach students in economics, business and social science disciplines how to use experimental methods to answer research questions. We will start with methodological issues and then study selected topics in which experiments have been applied. Students will learn how to test economic theories using laboratory and field experiments, and will also get a chance to participate in some in-class experiments as subjects. The course material also brings together interdisciplinary elements (e.g. from psychology, neuroscience).

Prerequisites: Econ 333 (Game Theory and Strategy). For experiments to make any sense, you have to have an idea about what we are trying to test. If you have not taken game theory, it is likely that the topics will be completely foreign to you.

Course Materials: There is no single textbook we will use, but some good references include: Markets, Games and Strategic Behavior by Charles Holt (2007), Experimental Economics by Davis and Holt (1993), and Handbook of Experimental Economics by Kagel and Roth (1995). Some chapters from these books and from relevant research papers will be put on e-reserve. But above all, it is really important that you **attend class and take notes** if you want to do well in this class. We will also run some experiments in the computer laboratory during the class, and for the smooth running of these, it is essential that a good number of students are attending.

Grading: This is a cross-listed course. Undergraduate and graduate students taking the course will be subject to different expectations and grading criteria. There will be no final exam. Your grade will be determined according to the following breakdown:

- Class project and presentation (50%)
- Midterm (30%)

- Two in-class quizzes (10%--I will drop the lower score)
- Class attendance, participation in discussions (5%)

The midterm will be in the 7th week of classes, exact day to be announced. Detailed guidelines for the project will be posted on the class website later this week.

Make-up Policy:

No make-ups will be given for the quizzes. If you miss the midterm, no make-up will be given during the semester. Provided that you have a valid, documented reason for not taking the midterm on the specified date (“valid” means that you comply with the strictest Koc University regulation in this matter), you will need to take the test in the last week of classes. This make-up exam will include all material from the course.

Academic Honesty

Honesty and trust are important to all of us as individuals. Students and faculty adhere to the following principles of academic honesty at Koç University:

1. Individual accountability for all individual work, written or oral. Copying from others or providing answers or information, written or oral, to others is cheating.
2. Providing proper acknowledgment of original author. Copying from another student's paper or from another text without written acknowledgment is plagiarism.
3. Study or project group activity and authorized teamwork is effective. Unauthorized help from another person or having someone else write one's paper or assignment is collusion. Cheating, plagiarism, and collusion are serious offenses resulting in an F grade and disciplinary action.

Tentative List of Topics (according to your interests, we can add new topics or replace some topics with others):

1. Introduction to Experiments

- What are experiments? How can experiments help understand economic behavior?
- History of experimentation in economics

2. Methodology

Some terminology you will need for reading/understanding experimental papers.

What is a good experimental design?

How to analyze experimental data: statistical tests

3. Individual Decision-Making Experiments

(Risk-aversion, expected utility, judgment biases, overconfidence, the “endowment effect”)

4. Game-Theoretic Experiments:

-Rationality, k-level thinking (guessing games), mixed strategies

-Coordination games

-Auctions

-Bargaining

5. Other-Regarding (Non-selfish) Preferences: Altruism, Fairness, Trust, Reciprocity

6. Public Good Contributions, Charitable Donations

7. Incentives and Organizations: How to motivate people to work--team incentives, tournaments.

8. Market Experiments

9. Field Experiments on Economic Development, Discrimination

10. Gender Differences in Economic Decision-Making

11. The Use of Information (Bayes rule, social learning—time permitting)

12. An Introduction to Neuroeconomics: Measuring brain activity to understand how individuals make decisions (time permitting)

13. Student Presentations (Last 1-2 weeks)