

SE 040155

Philosophy of Experimental Economics

Content: Experimental Economics is a vibrant field of empirical research; its striking results seem to challenge established notions of rational choice in standard economics as well as much of the received philosophical literature on practical (and perhaps even epistemic) rationality. Not surprisingly, the interpretation of these results is contested, and the debate about the use of the experimental method in economics and its promise for our understanding of (human) behavior is ongoing. This debate revolves around such issues as the role of emotions, norms, values, commitments and social identities in human behavior.

The purpose of the seminar is to discuss the methods, some of the main results as well as the promise of Experimental Economics both from a hands-on perspective (the perspective of a researcher doing experiments) as well as from the perspective of a philosopher (the perspective of a researcher interested in the nature and scope of rationality in action). We discuss questions such as what economists and philosophers should learn from experiments in economics at all, how the field needs to evolve to fulfil its promise, and how this contributes to an understanding of the nature and role of practical rationality. The seminar is open to students in Philosophy and to students in Economics.

Method: The seminar will be co-taught by Professors Hans Bernhard Schmid (a philosopher) and Jean-Robert Tyran (an experimental economist). After a short introduction by Profs. Schmid and Tyran, students present and discuss recent research in behavioral and experimental economics and philosophy in class. They also provide short papers which summarize, discuss, and critically reflect on selected recent research.

Aim: Students learn to be “critical consumers” of current research in behavioral and experimental economics and competent participants in philosophical discussions of the nature and role of practical rationality. The course provides ample opportunity for students to foster their presentation, writing and debating skills.

Requirements: For economics students: a background in microeconomics and some interest in philosophical action theory or decision theory; for philosophy students: a background in action theory or decision theory, some interest in microeconomics. For both groups of students: an interest in basic questions, especially concerning empirical challenges to fundamental conceptions.

Organization: Depending on the number of participants, students will present and discuss papers individually or in work groups (max. 3 students). Students working in groups are graded individually insofar as their individual performance can be clearly assessed. Otherwise, students in a group get the same grade. We determine the “Group in Charge” for each paper in the first session. It is therefore imperative to *participate in the first (and second) session* where papers are assigned to students. Students who cannot (for a good reason) participate in the first session should send me an e-mail naming at least three papers from the reading list which they are committed to present one week before the first session.

Grading

Successful students earn **4 ECTS** credits. Each part a) to d) below is graded on a scale 1 to 5 and the final grade is the weighted average of these grades using the weights indicated below.

- a) **Present.** The Group in Charge presents the paper or topic of the day in max. 30' and answers questions for clarification by the participants and the instructors. (30% of final grade). See guidelines on the course webpage.
- b) **Guide the discussion.** The Group in Charge prepares questions for discussion, leads/navigates the discussion and addresses the questions and comments raised by the other students (see point c) below, about 60'). (10% of final grade.)
- c) Submit **extended abstracts** (about 1 page each) for **at least four papers** (not including the one you present). The abstract summarizes the paper *in your own words*. To each abstract, attach your **own questions, comments and thoughts** as an **input for discussion** (max. 3 pages). You are welcome to submit more than four abstracts plus questions. Best shot counts (40% of final grade). See guidelines on course webpage.
- d) **Discuss.** Grading is also based on active participation. Students must not miss more than two sessions else they are graded "fail" on this part (20% of final grade).

The **deadline** for handing in your **extended abstracts and discussion inputs (c)** is **midnight on the Sunday prior to your seminar** by e-mail to Christoph Lernpaß (Christoph.Lernpass@univie.ac.at). All extended abstracts/discussion inputs will be available on Moodle on the Monday prior to your seminar at noon.

Deadline for submission of the **presentation of your text (a)**: Monday evening, 6 pm by email to jean-robot.tyran@univie.ac.at and Hans Bernhard Schmid.

Times and places

Tuesdays (3.3.-30.6.): 09:45-11:15, SR3, OMP 1
Do not miss the first session on March 3.

Week

- | | |
|-----------|--|
| 10 | Introduction, organization and selection of topics |
| 11 | Introduction |
| 12 | Introduction |
| 13 | Introduction |
| 14 | No class (Easter) |
| 15 | No class (Easter) |
| 16: 14.4 | All participants: Al Roth: Is ExpEcon living up to its promise? |
| 17: 21.4. | Maike: Dhami Ch. 1: Ultimatums, Gift exchange and Trust (p. 1-30) |
| 18: 28.4. | Manuela: Dhami Ch 1: Public goods, indirect reciprocity (p. 31-58) |
| 19: 5.5. | Georg: Elster on Fehr in A&K |
| 20: 12.5. | Helene: Woodward vs. Güth/Kliemt |
| 21: 19.5. | Giovanni: Fehr: Economics and Biology of Trust |

- 22: 26.5. No class (Pentecost)
- 23: 2.6. Konstantinos: List & Levitt: Lab vs. Field
- 24: 9.6. Ilona: Camerer: reply
- 25: 16.6. Alex: Bardsley et al.: Rethinking, Ch. 6: Incentives (p. 244-285)
- 26: 23.6. Thomas: Guala: Methodology
- 27: 30.6. Luka: Nagatsu: Experimental Philosophy

Readings

Most of the papers below can be downloaded from repec, ssrn, using EconLit or just google. The books should be available in our library or can be bought on amazon etc.

1. Roth, A.E. (2015): Is Experimental Economics Living Up to Its Promise? *Handbook of Experimental Economic Methodology*. Oxford Univ. Press, Ch. 1: p. 13-40.

Human Sociality, Social Preferences etc.

2. Dhami, S. (forthcoming): *Foundations of Behavioral Economic Analysis*. Oxford Univ. Press. (version of 18.4.2014), Ch. 1: *The Evidence on Human Sociality*: p. 1-58
3. Elster, J. (2005): Fehr on Altruism, Emotion, and Norms. *Analyse & Kritik* 27: 197-211.
4. Woodward, J. (2009): Why Do People Cooperate as Much as They Do? With a reply by W. Güth und H. Kliemt. In: Chr. Mantzavinos: *Philosophy of the Social Sciences*, Ch. 8: p. 219-273.
5. Fehr, E. (2009): On the Economics and Biology of Trust. *Journal of the European Economic Association* 7(2): 235-266.

Lab vs. Field

6. Levitt, S.D. and List, J.A (2015): What do Laboratory Experiments Measuring Social Preferences Reveal about the Real World? (reprint from *Journal of Economic Perspectives* 2007, 21(2): 153-74). *Handbook of Experimental Economic Methodology*: p. 207-248.
7. Camerer, C.F. (2015): The Promise and Success of Lab-field Generalizability in Experimental Economics: A Critical Reply to Levitt and List. *Handbook of Experimental Economic Methodology*, Ch. 14: 249-295.

Methodology, Experimental Philosophy

8. Bardsley, N., Cubitt, R., Loomes, G., Moffatt, R., Starmer, C. and Sugden, R. (2009): *Experimental Economics. Rethinking the Rules*. Princeton: Princeton Univ. Press.
9. Review Symposium (2008), *Journal of Economic Methodology* 15(2): 197-231. (with comments by Alexandrova, Hargreaves Heap, Hausman, and Hindriks on F. Guala (2005): *The Methodology of Experimental Economics*, and a reply by Guala)
10. Nagatsu, M. (2013): The Experimental Philosophy of Economics. *Economics and Philosophy* 29(2): 263-276