

SE 040518

Topics in Behavioral and Experimental Economics

Behavioral and Experimental Economics is a vibrant field of research and sheds new light on many old and important issues in economics. The field has recently received wide recognition, for example by the award of the Nobel Prize in Economics 2002 to Daniel Kahneman and Vernon Smith. The field is rapidly growing, best practice standards evolve and new methods are developed.

The **purpose** of the seminar is to critically discuss new developments in Behavioral and Experimental Economics in a small group of advanced students. The course educates students to become critical consumers of current research in behavioral and experimental economics and aims at inspiring students for their own research projects.

Method: I propose readings on selected topics (see below). Students may also suggest readings (please send me the paper along with a short explanation before the first session). In the first session, I briefly present the topics and the papers. Each student selects one (or two shorter) papers. All students read all selected papers, but each student is a “pole of competence” on one particular paper or topic. These papers are then discussed in detail (2 hours per text or topic). The discussion is organized as follows: The pole of competence provides a succinct summary of the paper (max. 5’ – no slides), all participants provide a short statement on the paper (1’-2’) and we then go through the paper page by page (or line by line, where necessary).

The “pole of competence” should be able to summarize each section/paragraph in his own words at any time during the discussion, guide the discussion and be able to answer most of the participants’ questions. Competent navigation is particularly important when discussing long articles (e.g. surveys).

Participants are expected to prepare questions, contribute their own thoughts and views on the text/topic. Active participation is essential.

Requirements: Participants need to have taken a class providing a solid introduction into the field, for example my lecture “Behavioral and Experimental Economics” (UK 040832). Students with comparable backgrounds can also be admitted but need to provide evidence that their knowledge is comparable (provide handout and grade of classes taken elsewhere). In addition, a sound knowledge of microeconomics and game theory is required.

Successful completion of this course earns students **4 ECTS** credits.

Grading:

- a) "Pole of competence": Students are graded on their performance in navigating the group through the paper and their ability to answer questions of fellow students (and the instructor) (40% of final grade)
- b) Students are requested to read all papers and to actively participate in discussion (20%). As grading is based on your active participation in the course, you **must not miss more than one session**.
- c) Hand in questions to at least 2 papers (max. 3 questions per paper). Briefly comment on your question (i.e. provide a short motivation why the question may be relevant or interesting to discuss, max. 1 page each). Deadline: 11:00 of the day of the seminar (20%)
- d) Hand in an extended abstract (about 1 page) of at least 1 paper. The abstract may be followed by the students’ comments and own thoughts (max. 3 pages each). (20%)

Times and places

The first class is in week 9, on Wednesday, March 2, 13:30-15:30

Place: Seminar room 2, Hohenstaufengasse 9, first floor. (same time and place in all weeks)

Week

9	Introduction, organization and selection of topics
10	reading and preparation
11	discussion in class
12	discussion in class
13	discussion in class
14	discussion in class
15	discussion in class
16	no class
17	no class
18	no class
19	discussion in class
20	discussion in class
21	discussion in class
22	discussion in class
23	no class
24	no class
25	discussion in class
26	discussion in class

Readings

Most of these readings can be downloaded from the internet (repec, ssrn, or just google).

Broad surveys and discussion of methods

Croson, R. and Gächter, S. (2010): The Science of Experimental Economics. *Journal of Economic Behavior and Organization* 73(1): 122-31.

DellaVigna, S. (2008): Psychology and Economics. Evidence from the Field. *Journal of Economic Literature* 47(2): 315-72.

Kagel, J.A. (2009): Laboratory Experiments. Forthcoming in G. Fréchette and A. Schotter (eds): *The Methods of Modern Experimental Economics*, Oxford University Press.

Roth, A.E. (2010): Is Experimental Economics Living up to its Promise? Forthcoming in G. Fréchette and A. Schotter (eds): *The Methods of Modern Experimental Economics*, Oxford University Press.

Method, special topics

Anderson, J.C. et al. (2011): Self Selection Does Not Increase Other-Regarding Preferences Among Adult Laboratory Subjects, But Student Subjects May Be More Self-Regarding than Adults. IZA WP 5389.

List, J.A., Sadoff, S. and Wagner, S. (2010): So you want to run an Experiment, now what? Some Simple Rules of Thumb for Optimal Experimental Design. NBER WP 15701.

Zizzo, D. (2010): Experimenter Demand Effects in Economic Experiments. *Experimental Economics* 13: 75-98.

Surveys, topical

Crawford, V.P, Costa-Gomes, M.A. and Iriberri, N. (2010): Strategic Thinking. Working paper.

Fehr, E., Goette, L., and Zehnder, C. (2009): A Behavioral Account of the Labor Market: The Role of Fairness Concerns. *Annual Review of Economics* 1: 355-84.

Armstrong, M. and Huck, S. (2010): Behavioral Economics as Applied to Firms: A Primer. Cesifo WP 2937.

Charness, G. and Kuhn, P.J. (2010): Lab Labor: What can Labor Economists learn from the Lab? NBER WP 15913.

Special topics

Blanco, M., Engelmann, D. and Normann, H.-T. (2010): A Within-Subject Analysis of Other-Regarding Preferences. DICE WP no. 6.

De Neve, J.-E., Christakis, N.A., Fowler, J.H. and Frey, B.S. (2010): Genes, Economics, and Happiness. WP

Dohmen, T. and Falk, A. (2010): Performance Pay and Multi-dimensional Sorting - Productivity, Preferences and Gender. Forthcoming *American Economic Review*.

Gerardi, K, Goette, L. and Meier, S. (2010): Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data. WP Atlanta Fed.

Oswald, A.J. and Wu, S. (2010): Objective Confirmation of Subjective Measures of Human Well-being: Evidence from the USA. *Science*. 327(5965): 576-579.

Dickhaut, J, Lin, S., Porter, D. and Smith, V.L. (2010): Durability, Re-trading and Market Performance. WP Chapman University.

Lacetera, N., Pope, D.G. and Syndor, J. (2010): Heuristic Thinking and Limited Attention in the Car Market. WP Case Western.

Mazar, N., Köszegi, B. and Ariely, D. (2010): Price-Sensitive Preferences. Working paper.