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Master course
Spring 2012

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 student's comments and own thoughts (max. 3 pages each). (20%)

Times and places

The first class is in week 10, on Wednesday, March 7, 13:30-15:30
Place: Seminar room 2, Hohenstaufengasse 9, first floor (same time and place in all weeks)

Week	
10	Introduction, organization and selection of topics
11	Falk and Kosfeld: Tamas Csermely
12	Ziegelmeyer et al.: Dominic Lynch
13	Boly : Anna Albert
14	no class
15	no class
16	Dulleck et al.: Eryk
17	Dulleck et al.: Eryk
18	no class
19	Almlund et al.: Thomas Stephens and Alexander Rabas
20	Almlund et al.: Thomas Stephens and Alexander Rabas
21	Almlund et al.: Thomas Stephens and Alexander Rabas
22	Almlund et al.: Thomas Stephens and Alexander Rabas
23	no class
24	Camerer: Joe Rieff
25	no class
26	Camerer: Joe Rieff

Readings

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

Elicitation of risk preferences

Anderson, L.R. and Mellor, J.M. (2010): Are Risk Preferences Stable? Comparing an Experimental Measure with a Validated Survey-Based Measure. *Journal of Risk and Uncertainty* 39(2): 137-60.

Dave, C., Eckel, C.C., Johnson, C.A. and Rojas, C. (2010): Eliciting Risk Preferences: When is Simple Better? *Journal of Risk and Uncertainty* 41: 219-43.

Dulleck, U., Fell, J. and Fooken, J. (2011): Within-subject Intra- and Inter-method Consistency of Two Experimental Risk Attitude Elicitation Methods. NCER WP #74, October 2011.

Lönnqvist, J.-E., Verkasalo, M., Walkowitz, G. and Wichardt, P.C. (2011): Measuring Individual Risk Attitudes in the Lab: Task or Ask? SOEP Working paper 370, March 2011.

Crowding out of intrinsic motivation

Falk, A. and Kosfeld, M. (2006): The Hidden Cost of Control. *American Economic Review* 96(5): 1611-1630.

Ziegelmeyer, A., Schmelz, K. and Ploner, M. (2012): Hidden Costs of Control: Four Repetitions and an Extension. Forthcoming *Experimental Economics*. DOI 10.1007/s10683-011-9302-8.

Boly, A. (2011): On the Incentive Effects of Monitoring: Evidence from the Lab and the Field. *Experimental Economics* 14: 241-53.

Voting and redistribution

Cabrales, A., Nagel, R. and Rodríguez Mora, J. (2012): It is Hobbes, not Rousseau: an experiment on voting and redistribution. Forthcoming *Experimental Economics* http://dx.doi.org/10.1007/s10683-011-9300-x

Durante, R. and Putterman, L. (2009): Preferences for Redistribution and Perception of Fairness: An Experimental Study. Working paper Nov. 16

Experimental Method

Brandts, J. and Charness, G. (2011): The Strategy versus the Direct-response Method: A first Survey of Experimental Comparisons. *Experimental Economics* 14:375–398

List, J.A., Sadoff, S. and Wagner, M. (2011): So You Want to Run an Experiment, Now What? Some Simple Rules of Thumb for Optimal Experimental Design. *Experimental Economics* 14: 439-57.

Normann, H.-T. and Wallace, B. (2011): The Impact of the Termination Rule on Cooperation in a Prisoner's Dilemma Experiment. Working paper April 27, 2011.

Other Topics

Almlund, M., Duckworth, A.L., Heckman, J.J. and Kautz, T.D. (2011): Personality Psychology and Economics. NBER Working Paper 16822.

Camerer, C.F. (2011): The Promise and Success of Lab-Field Generalizability in Experimental Economics: A critical Reply to Levitt and List. Working paper Dec. 30, 2011.