

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 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 or her 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 6, 15:00-16:30

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

Week

10	Introduction, organization and selection of topics
11	Georg #18 (measuring social preferences)
12	Georg #18 (measuring social preferences)
13	No class
14	No class
15	Theresa #10 (economics and biology of trust)
16	Theresa #10 (economics and biology of trust)
17	No class
18	No class
19	Thomas #9 (representative social capital)
20	Florian #11 (payment for physicians)
21	No class
22	Eryk #22 (judicial error)
23	No class
24	Fernando #20 (learning)
25	Fernando #20 (learning)
26	Vitold #4 (IQ and stock market participation)

## Readings

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

### Financial literacy

1. Brown, M. and Graf, R. (2013): Financial Literacy, Household Investment and Household Debt: Evidence from Switzerland. University of St. Gallen Working papers on Finance no. 13/1.
2. Bucher-Koenen, T. and Ziegelmeyer, M. (2011): Who Lost the Most? Financial Literacy, Cognitive Abilities, and the Financial Crisis. European Central Bank Working paper no. 1299 (Feb. 2011)
3. Glaser, M. and Walther, T. (2013): Run, Walk, or Buy? Financial Literacy, Dual-Process Theory, and Investment Behavior. LMU Munich, Jan. 31, 2013.
4. Grinblatt, M. Keloharju, M. and Linnainmaa, J. (2011): IQ and Stock Market Participation. *Journal of Finance* 66(6): 2121-2164.
5. Van Rooij, M., Lusardi, A. and Alessie, R. (2011): Financial Literacy and Stock Market Participation. *Journal of Financial Economics* 101: 449-472.
6. Willis, L.E. (2011): The Financial Education Fallacy. *American Economic Review* 101(3): 429-434.

### Trust

7. Balafoutas, L., Beck, A., Kerschbamer, R. and Sutter, M. (2011): What Drives Taxi Drivers? A Field Experiment on Fraud in a Market for Credence Goods. IZA working paper 5700.
8. Bauernschuster, S., Falck, O. and Grosse, N. (2013): When Trustors Compete for the Favour of a Trustee – A Laboratory Experiment. *Journal of Economic Psychology* 34: 133–147.
9. Bellemare, C. and Kröger, S. (2007): On Representative Social Capital. *European Economic Review* 51: 183-202.
10. Fehr, E. (2009): On the Economics and Biology of Trust. *Journal of the European Economic Association* 7(2): 235-266.
11. Henning-Schmidt, H., Selten, R. and Wiesen, D. (2011): How Payment Systems Affect Physicians' Provision Behaviour - An Experimental Investigation. *Journal of Health Economics* 30: 637– 646.
12. Keck, S. and Karellaia, N. (2012): Does Competition Foster Trust? The Role of Tournament Incentives. *Experimental Economics* 15: 204-228.
13. Naef, M. and Schupp, J. (2009): Measuring Trust: Experiments and Surveys in Contrast and Combination. DIW, SOEP paper 167 (March 2009).

### Methodological and measurement issues in the laboratory

14. Al-Ubayadli, O. and List, J. (2012): On the Generalizability of Experimental Results in Economics. NBER Working paper 17957, March 2012.
15. Fréchette, G.R. (2012): Session-effects in the Laboratory. *Experimental Economics* 15: 485-498.

16. Green, D.P. and Tuscisny, A. (2012): Statistical Analysis of Results from Laboratory Studies in Experimental Economics: A Critique of Current Practice. Working paper Columbia University (paper presented at ESA, Nov. 2012)
17. 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.
18. Murphy, R.O. and Ackermann, K.A. (2012): A Review of Measurement Methods for Social Preferences. Working paper ETH Zürich, Feb. 24, 2012.

### **Other topics**

19. Bao, T., Hommes, C., Sonnemans, J. and Tuinstra, J. (2012): Individual Expectations, Limited Rationality and Aggregate Outcomes. Working paper U Amsterdam, Feb. 16, 2012.
20. Erev, I. and Haruvy, E. (2012): Learning and the Economics of Small Decisions. In: Kagel, J.H. and Roth, A.E. (eds): *Handbook of Experimental Economics*, forthcoming
21. Hastie, R. and Sunstein, C.R. (2012): Garbage In, Garbage Out? Some Micro Sources of Macro Errors. *Journal of Institutional and Theoretical Economics*, forthcoming.
22. Van Dijk, F., Sonnemans, J. and Bauw, E. (2012): Judicial Error by Groups and Individuals. Working paper U Amsterdam (March 2012).