

SE 040518

Topics in Behavioral and Experimental Economics

Behavioral and Experimental Economics is a vibrant field of research which 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 and organization of the course: I propose readings on selected topics (see below). In the first session, I briefly present the papers. Each student selects one (or two) papers on which s/he acts as a “pole of competence”. We determine the reading list in the first (and if necessary in the second) session. *It is therefore imperative to participate in the first and the second session.* 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.

Classroom discussion is organized as follows: The pole of competence provides a **concise** presentation of the paper (15-20’). We then discuss questions of technical detail as well as questions on context and interpretation. If time permits, we go through paper page by page (or line by line where necessary).

A successful “pole of competence” is able to summarize each section/paragraph *in his or her own words at any time* during the discussion, guides the discussion and is able to answer most questions. Competent navigation is particularly important when discussing long articles (e.g. surveys).

Participants are expected to read all papers, prepare questions and to contribute their own thoughts and views on the paper. Bring your annotated copy of the paper. Active participation is essential. Critical thought, controversy and debate is welcome (once we are clear about what the paper says).

Requirements: Participants need to have taken a class providing an 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 **8 ECTS** credits.

Grading:

- a) Present. Hand in your slides on time (25%)
- b) Navigate the group (“Pole of competence”) and answer our questions (25%)
- c) Actively participate in discussion (25%). You **must not miss more than two sessions.**
- d) Hand in an extended abstract (about 1 page) summarizing the paper *in your own words*. Add your comments and own thoughts (max. 3 pages). Best shot counts (25%)

Deadline for handing in a) and d): 10 am on the day of the seminar by e-mail to me

Times and places

Do not miss the first two sessions on March 4 (11:30-13:00) and March 5 (13:30-15:00)

Times and places: Tuesdays (4.3.-24.6.): 11:30-13:00, SR2, OMP 1

 Wednesdays (5.3.-25.6.): 13:30-15:00, SR4, OMP 1

Week

- 10 Introduction, organization and selection of topics
- 11 Tues: Georg: 3 (Kahneman, Part I); Wed: no class, dies academicus
- 12 Tues: Georg: 3 (Part II & III); Wed: Georg: 3 (Part IV)
- 13 Tues: Georg: 3 (Part V); Wed: Mario: 4 (Levine, pp. 1-76)
- 14 Tues& Wed: Mario: 4 (Levine, pp. 77-138)
- 15 No class
- 16 No class
- 17 No class
- 18 Tues: Mario: 4 (Levine, rest); Andreas: 13 (Overconfidence)
- 19 Andreas: 13 (Overconfidence); Elina: 7 (Markets & Responsibility)
- 20 Elina: 7 (Markets & Responsibility)
- 21 Tues&Wed: Manuel: 15 (Generalize)
- 22 Tues&Wed: Manuel: 10 (Legitimacy)
- 23 Tues&Wed: Andreas: 22 (Financial Crisis)
- 24 Tue: No class, Pentecost, Wed: Elina: 24 (Pensions)
- 25 Tues&Wed: Elina: 24 (Pensions)
- 26 Tues: Recap; Wed: no class

Readings

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

General

1. Gneezy, U. and List, J.A. (2013): *The Why Axis*. Public Affairs, New York.
2. Harstad, R.M. and Selten, R. (2013): Bounded-Rationality Models: Tasks to Become Intellectually Competitive. *Journal of Economic Literature* 51(2): 496-511.
3. Kahneman, D. (2011): *Thinking, Fast and Slow*. Farrar, Straus and Giroux, New York.
4. Levine, D.K. (2012): *Is Behavioral Economics Doomed?* Open Book Publishers, Cambridge.

Delegation, Responsibility, Rationality

5. Bartling, B. and Fischbacher, U. (2012): Shifting the Blame: On Delegation and Responsibility. *Review of Economic Studies* 79: 67-87.
6. Bartling, B., Fischbacher, U. and Schudy, S. (2014): Pivotality and Responsibility Attribution in Sequential Voting. WP No. 138, Univ. of Zurich.
7. Bartling, B. and Weber, R.A. (2013): Do Markets Erode Social Responsibility? University of Zurich, Working Paper No. 134.
8. Battaglini, M. and Mechtenberg, L. (2014): When Do Conflicting Parties Share Political Power? An Experimental Study.
9. Hamman, J.R., Loewenstein, G., Weber, R.A. (2010): Self-interest through Delegation: An Additional Rationale for the Principal-Agent Relationship. *American Economic Review* 100: 1826-1846.

Legitimate Authority

10. Dickson, E.S., Gordon, S.C. and Huber, G.A. (2013): Institutional Sources of Legitimate Authority: An Experimental Investigation. WP NYU May 28, 2013
11. Towfigh, E., Glöckner, A., Goerg, S.J., Leifeldy, P., Kurschilgen, C., Llorente-Saguer, A. and Bade, S. (2013): Does Political Representation through Parties Decrease Voters' Acceptance of Decisions? MPI Bonn 2013/10.

Optimism and overconfidence

12. Burks, S.V., Carpenter, J.P., Goette, L. and Rustichini, A. (2013): Overconfidence and Social Signalling. Forthcoming *Review of Economic Studies*
doi:10.1093/restud/rds046
13. Heger, S.A. and Papageorge, N.W. (2013): We Should *Totally* Open a Restaurant: Performance Uncertainty and Optimistic Beliefs. Working paper Nov. 6, 2013.
14. Larkin, I. and Leider, S. (2012): Incentive Schemes, Sorting, and Behavioral Biases of Employees: Experimental Evidence. *American Economic Journal: Microeconomics* 4(2): 184-214.

Methodological and measurement issues

15. Al-Ubayadli, O. and List, J. (2012): On the Generalizability of Experimental Results in Economics: with a Response to Camerer. NBER WP no. 19666, November 2013.
16. Cox, D.R. and Reid, N. (2000): *The Theory of the Design of Experiments*. Monographs of Statistics and Applied Probability 86. Washington: Chapman and Hall, Ch. 1-7.
17. Eble, A. and Boone, P. and Elbourne, D. (2014): Risk and Evidence of Bias in Randomized Controlled Trials in Economics. Working paper, Jan. 2014.
18. 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)
19. Greenberg, D.H. and Barnow, B.S. (2013): Flawed Social Experiments. Working paper June 4, 2013. Available at <http://dx.doi.org/10.2139/ssrn.2274328>
20. Maniadis, Z., Tufano, F. and List, J.A. (2014): One Swallow Doesn't Make a Summer: New Evidence on Anchoring Effects. *American Economic Review* 104(1): 277-90.

Other topics

21. 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. *Review of Economic Studies* 80(3): 876-891.
22. Heinemann, F. (2012): Understanding Financial Crises: The Contribution of Experimental Economics, forthcoming in the *Annals of Economics and Statistics*
23. Krupka, E.L. and Weber, R.A. (2013): Identifying Social Norms Using Coordination Games: Why Does Dictator Game Sharing Vary? *Journal of the European Economic Association* 11: 495-524.
24. Tausch, F., Potters, J. and Riedl, A. (2013): Preferences for redistribution and pensions. What can we learn from experiments? *Journal of Pension Economics and Finance* 12(3): 298-325.