

ECON 406
EXPERIMENTAL ECONOMICS
Monday 10.00-12.00 – D226
Wednesday 12:00-13.00 – D226

Instructor: **Tekin Köse**

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Office Hours: Tuesdays 13.00-14.00

Mondays & Wednesdays 15.00-16.00
or by appointment

Course Materials:

1. Text: 1. Holt. C. A., *Markets, Games, & Strategic Behavior*. Addison Wesley Longman, Boston, 2006. (H)

2. Lecture Slides: They will be available online at Moodle.

Moodle for TED: <http://moodle.tedu.edu.tr/>

Course documents and updates will be on Moodle. It's your responsibility to follow up the updates for this course on Moodle and TEDU Emails.

3. Complementary Readings:

- *Experimental Economics: Rethinking the Rules*. Nicholas Bardsley, Robin Cubitt, Graham Loomes, Peter Moffatt, Chris Starmer & Robert Sugden Princeton University Press, 2010. (BCL)
- *Handbook of Experimental Economics*, eds. Kagel and Roth, Princeton University Press, 1995. (HEE)
- *Handbook of Experimental Economics Results*, eds. Plott and Smith, North-Holland, 2008. (HEER)
- *Experimental Methods: A Primer for Economists*, Friedman and Sunder, Cambridge University Press, 1994. (FS)
- ❖ Ariely, Dan, *Predictably Irrational: The Hidden Forces That Shape Our Decisions*. New York: Harper Perennial, 2010.
- ❖ Levitt and Dubner, *Freakonomics [Revised and Expanded]: A Rogue Economist Explores the Hidden Side of Everything*, New York: HarperCollins Publishers, 2006.

4. Articles: A list of academic articles for the class is appended to this syllabus.

Credits: (3+0+0) 3 TEDU Credits, 6.0 ECTS Credits

Prerequisites: NONE. Good command of English and solid knowledge of both Statistics, Game Theory and Microeconomics will be very helpful with following the course.

Course Catalog Description:

Use of experiments to study individual and interactive (strategic) decision-making. Choice over risky alternatives, altruism and reciprocity, allocation and information aggregation in competitive markets. Cooperation and collusion, bidding in auctions, strategy in coordination.

Course Objectives:

This course introduces the subject matter, methods, and results of experimental economics. The course will stress the interaction of theory and experiment, seeking to relate questions in the theory of markets, games, and decisions to issues in experimental design and the analysis and interpretation of results. The course covers experiments on decision making under risk, bargaining, bounded rationality, collective action, social norms, cultural influences, and market behavior.

Learning Outcomes:

After a successful finishing of the course, the student should be able to

- 1) Acquire comprehensive and detailed knowledge of experimental methods in economics
- 2) Explain the major issues involved in design and interpretation of economic experiments
- 3) Demonstrate knowledge of how experimental economics has contributed to the economics literature in specific areas.
- 4) Evaluate behavioural insights and theoretical predictions from experiments run in the lab and the field
- 5) Explain the differences between behavioral economics and the traditional methods of analysis
- 6) Write and present a literature review relevant to a specific experiment

Course Requirements & Grading:

In Class Activities-Experiments	150
Article Presentation.....	100
Article Reports.....	100
Midterm.....	200
Term Paper and Presentation	200
Final Exam.....	250
Total.....	1000

Grading Scale:

A total grade of less than 500 is an F. Grades above 500 will be assigned according to following ranges. Letter grades will be determined via curving in each grade range when necessary.

875-1000 A Range

750-874 B Range

600-749 C Range

500-599 D Range

< 500 F

TEACHING and LEARNING

Planned Learning Activities and Teaching Methods:

Telling/Explaining, Discussions/Debates, Questioning, Reading, Demonstrating, Problem Solving, Case Study/Scenario Analysis, Video Presentations, Oral Presentations/Reports, Collaborating, Web Searching, Guest Speakers.

Student Workload:

Lectures 42 hrs, Exams 24 hrs, Course Readings 36 Hours, Assignments/Case Study/Research Review 48 hrs, Written Performance Project/Presentation 30 hrs -- Total workload is 180 hours.

Computer Usage:

Students will use MS Office applications (Word, Excel, and PowerPoint) and a Statistical or Experimental Software to work on their assignments/case study/research review, presentations and written projects.

MAKE-UP:

1. If you have a legitimate and documented excuse and miss the final exam for some dire reason, you will be given a written make-up exam. In case of serious illness, a verifying report from a physician is necessary and it has to be approved by the University Health Centre.
2. If you miss a class activity, paper/presentation/report deadline, there are NO MAKE-UP for those. There may be some extra credit options throughout the course. You may use extra credit chances for your missed work.

STUDENT CONDUCT**Academic Integrity:**

Academic dishonesty in assignments, examinations, or other academic performance is prohibited and considered a violation of the student conduct. It includes “cheating” (the intentional use or attempted use of unauthorized materials, information or study aids); “fabrication” (the intentional falsification or invention of any information); “assisting in dishonesty or tampering” (intentionally or knowingly helping or attempting to help another commit an act of dishonesty or tampering with evaluation instruments and documents); and “plagiarism” (intentionally or knowingly representing the words or ideas of another person as one's own). Penalties for academic dishonesty may result in receiving an 'F' in the course and may further instigate disciplinary action.

Disruptive Behavior:

Behaviors that are disruptive to teaching and learning will not be tolerated. Behaviors that create a hostile, offensive or intimidating environment based on gender, race, ethnicity, color, religion, age, disability, marital status or sexual orientation may be subject to scrutiny by the Student Council and University Administration.

Academic integrity and professionalism are fundamentals values of TED University. Please see: <http://student.tedu.edu.tr/tr/student/akademik-durustluk-ilkeleri>

TENTATIVE Outline of Course Topics

#	Topics Lecture numbers and book chapter numbers may not coincide!	Readings
1	Introduction to Class Economics and Experiments	Syllabus H-Ch1, BCL-Ch1, FS-Ch1, HEE-Ch1 PartI
2	Experimental Methodology	BCL-Ch3, FS-Ch2-3
3	Data Analysis and External Validity of Experiments	BCL-Ch2,5
4	Market Experiments	H-Ch2, H-Ch13-18, HEE-Ch5,6
5	Game Theory Experiments	H-Ch3, H-Ch9-11
6	Experiments on Coordination	H-Ch12, HEE-Ch3
	MIDTERM EXAM (Date To Be Announced)	
7	Experiments on Social Preferences	H-Ch23-24, HEE-Ch4
8	Experiments and Public Economics	H-Ch25-28, HEE-Ch2
9	Preferences and Behavioral Biases	H-Ch7, HEE-Ch8
10	Measuring Risk and Time Preferences	H-Ch4, Ch7, HEE-Ch8
11	Experiments on Auctions	H-Ch19-22, HEE-Ch7
12	Experiments in Finance and Political Science	HEER-Ch 29, 32, 42,76, HEER-Ch94-95
	FINAL EXAM (Date To Be Announced)	

PAPERS FOR PRESENTATIONS

1. Frechette, Guillaume. (2011). "**Laboratory Experiments: Professionals versus Students.**" in *Handbook of Experimental Economic Methodology*.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1939219
2. Camerer, Colin, and Daniel Lovallo. (1999). "**Overconfidence and Excess Entry: An Experimental Approach.**" *American Economic Review*, 89, 306-18.
[http://authors.library.caltech.edu/21995/1/AER_Overconfidence\[1\].pdf](http://authors.library.caltech.edu/21995/1/AER_Overconfidence[1].pdf)
3. Coffman, Katherine Baldiga. (2014). "**Evidence on Self-Stereotyping and the Contribution of Ideas.**" *Quarterly Journal of Economics*, 129:1625 – 1660.
<http://qje.oxfordjournals.org/content/early/2014/09/12/qje.qju023>
4. Bertrand, Marianne and Sendhil Mullainathan. (2004). "**Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment On Labor Market Discrimination.**" *American Economic Review*, 94:991-1013.
http://www2.econ.iastate.edu/classes/econ321/orazem/bertrand_emily.pdf
5. Gneezy, Uri and Rustichini, Aldo. (2000.) "**A Fine Is a Price.**" *Journal of Legal Studies*: Vol. 29: No. 1, Article 1. <http://rady.ucsd.edu/faculty/directory/gneezy/pub/docs/fine.pdf>
6. Castillo, Marco, Paul J. Ferraro, Jeffrey L. Jordan, and Ragan Petrie. "**The today and tomorrow of kids: Time preferences and educational outcomes of children.**" *Journal of Public Economics* 95, no. 11 (2011): 1377-1385.
<http://www.sciencedirect.com/science/article/pii/S0047272711001381>
7. Gneezy, Uri, Ernan Haruvy, and Hadas Yafe. "**The inefficiency of splitting the bill.**" *The Economic Journal* 114, no. 495 (2004): 265-280.
http://www.utdallas.edu/~eharuvy/papers/Gneezy_Haruvy_Yafe_InefficiencyOfSplitting.pdf
8. Edward Glaeser, David Laibson, Jose Scheinkman, Christine Soutter, "**Measuring Trust.**" *Quarterly Journal of Economics* 115 (2000), 811-846.
<http://qje.oxfordjournals.org/content/115/3/811.abstract>
9. Niederle, Muriel, and Lise Vesterlund. "**Do women shy away from competition? Do men compete too much?.**" *The Quarterly Journal of Economics* (2007): 1067-1101.
<http://qje.oxfordjournals.org/content/122/3/1067.abstract>
10. Balafoutas, Loukas, Adrian Beck, Rudolf Kerschbamer, and Matthias Sutter. "**What drives taxi drivers? A field experiment on fraud in a market for credence goods.**" *The Review of Economic Studies* 80, no. 3 (2013): 876-891.
<http://restud.oxfordjournals.org/content/early/2013/01/12/restud.rds049>
11. Andreoni, James, and Ragan Petrie. "**Beauty, gender and stereotypes: Evidence from laboratory experiments.**" *Journal of Economic Psychology* 29, no. 1 (2008): 73-93.
<http://www.sciencedirect.com/science/article/pii/S0167487007000554>

12. Giné, Xavier, Dean Karlan and Jonathan Zinman. 2010. **"Put Your Money Where Your Butt Is: A Commitment Contract for Smoking Cessation."** *American Economic Journal: Applied Economics*, 2(4): 213-35.
<http://web.natur.cuni.cz/~houdek3/papers/Gine%20et%20a%202010.pdf>
13. List, John A., and David Lucking-Reiley. **"The effects of seed money and refunds on charitable giving: Experimental evidence from a university capital campaign."** *Journal of Political Economy* 110, no. 1 (2002): 215-233.
<http://s3.amazonaws.com/fieldexperiments-papers/papers/00301.pdf>
14. Frank, Robert H., Thomas Gilovich and Dennis T. Regan. 1993. **"Does Studying Economics Inhibit Cooperation?."** *Journal of Economic Perspectives*, 7(2): 159-171.
<https://www.aeaweb.org/articles?id=10.1257/jep.7.2.159>
15. Croson, Rachel, and James Sundali. **"The gambler's fallacy and the hot hand: Empirical data from casinos."** *Journal of risk and uncertainty* 30, no. 3 (2005): 195-209.
<http://link.springer.com/article/10.1007%2Fs11166-005-1153-2>
16. DellaVigna, Stefano, and Ethan Kaplan. **"The Fox News Effect: Media Bias and Voting."** *The Quarterly Journal of Economics* (2007): 1187-1234.
<http://qje.oxfordjournals.org/content/122/3/1187.short>
17. Gneezy, U., and A. Rustichini (2000). **"Pay Enough or Don't Pay At All."** *Quarterly Journal of Economics*, 791-810. <http://qje.oxfordjournals.org/content/115/3/791.short>
18. Jensen, Robert. **"Do labor market opportunities affect young women's work and family decisions? Experimental evidence from India."** *The Quarterly Journal of Economics* (2012): qjs002. <http://qje.oxfordjournals.org/content/early/2012/03/02/qje.qjs002.full>
19. Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. **"Experimental tests of the endowment effect and the Coase theorem."** *Journal of political Economy* (1990): 1325-1348. [https://www.uibk.ac.at/economics/bbl/lit_se/lit_se_ss06_papiere/kahneman_knetsch_and_thaler_\(1990\).pdf](https://www.uibk.ac.at/economics/bbl/lit_se/lit_se_ss06_papiere/kahneman_knetsch_and_thaler_(1990).pdf)
20. Harris, Jennifer L., John A. Bargh, and Kelly D. Brownell. **"Priming effects of television food advertising on eating behavior."** *Health psychology* 28, no. 4 (2009): 404.
<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2743554/>
21. Marianne Bertrand, Simeon Djankov, Rema Hanna, and Sendhil Mullainathan. **"Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption."** *The Quarterly Journal of Economics* (2007) 122 (4): 1639-1676.
22. Roberto Weber and Colin Camerer. (2003). **"Cultural conflict and merger failure."** *Management Science* 49 (4) 400-415. <https://people.hss.caltech.edu/~camerer/mgtsci03.pdf>
23. Blinder, Alan S., and Morgan John. **"Are Two Heads Better than One? Monetary Policy by Committee."** *Journal of Money, Credit and Banking* 37, no. 5 (2005): 789-811.
<http://www.jstor.org/stable/3839147>

FAQs and Answers:

1. I cannot make it to your office hour, what should I do if I want to ask questions outside the classroom?

You can always talk to me after the classes. It is also fine for me to meet with an appointment. Please email me for the intended date and time to meet. You can also email me with your questions, and I will get back to you as soon as possible. For any kind of difficulty you face with in the course process, it is your responsibility to contact me and it is my responsibility to help you.

2. What will be format of the final exam?

Multiple choices, true/false questions, discussion questions and problems may appear in the exam. I reserve the right to make the exam open/closed book. I reserve right to give out take-home exam as well.

3. Are the exams comprehensive?

The Final will be cumulative. Since economics is an integrated discipline, to do well in the exam you should not forget the basic materials you have learned before.

As we move on in the course, you will notice that chapters build up on the knowledge of earlier chapters. This means you need to seek help early if you need it. You are welcome to come to my office for theoretical material help.

4. Can you tell me a bit about the format of your teaching?

I will teach in accordance with the outline of above schedule, but may not follow it strictly. I will use lecture slides and I may also teach in the more traditional way – using chalks and board when necessary. You are encouraged to stop me anytime if you have questions or anything is not making sense to you. I may use videos and in class activities to enhance your understanding of the course material and motivate discussion/participation.

5. What is your attendance policy?

I do not intend to set any attendance policy. It is in your benefit to attend all the lectures in order to do well in the course. If you miss class, you are responsible for all lecture material, handouts and announcements made.

I would strongly recommend you attend the lectures. However, if you can manage the class work (homework, exams, reports, etc.) without attending, there is no problem. Note that, in my previous classes, the students with high attendance rates got significantly higher grades than those who did not attend regularly.

Please DO NOT send emails about your absence from a specific class. If you miss a lecture, make sure you go over the lecture slides, get the lecture notes from your class mates and understand the material you missed.

7. Is there any cell-phone policy?

Yes. When your phone rings or when you talk over the phone in class, you impose some externality (you are going to learn what this thing is later in the course) on your classmates and me, and this creates inefficiency. So, there should be no talking over the phone while you are in the classroom. Set your phone to silent mode and if it rings (silently!), leave the room and come back when you are finished.

Moreover, I do like everyone to feel comfortable in class while maintaining a learning environment. A set of rules will be compiled in class as follows:

- Text messaging is NOT RECOMMENDED in class.
- Using laptops are also NOT RECOMMENDED.
- If you wish to ask a question during class, raise your hand and I will call on you.
- Insightful comments, questions and class participation are appreciated, and rewarded.

8. What should I do in order to get a good grade from this course?

You are strongly encouraged to complete the course readings carefully. Here is a list of things TO DO:

- Attend classes regularly. Excessive absences tend to result in a low grade.
- Expect to spend at some hours in preparing for this course.
- Read the corresponding chapters/readings before class.
- Write down questions that come up while reading the chapters and discuss them with me during my office hours. By reviewing the material with others much learning may be gained. Consider forming study groups with other class members.
- Show up for office hours to clarify your understanding and ask your questions.
- Note that no instructor can teach you material, but only assist your learning efforts. You cannot learn the material of this class passively. You have to actively study for and participate in class.

9. Is there any EXTRA CREDIT in this course?

Yes, there will be extra credit chances in grading items of the course. In addition, regular class activities and final exam may include some extra credit.