

## Topics in Experimental Economics

### Lecturer:

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### Course description:

Experimental Economics studies economic behavior in a controlled, laboratory or field environment. This course intends to teach the student how to design and analyze an experiment aimed at answering a self-developed research question. In addition, it gives an overview of some recent trends in Experimental Economics. The course will focus around a set of experimental papers and on experimental designs developed by the students. Each student is expected to actively participate in classes by presenting and discussing papers selected by the instructor and to develop an experimental design of her/his own.

### Prerequisites

Participants are expected to have a basic understanding of the experimental method. This may be obtained, for example, from the course “Experimental Economics” taught by Marco Casari at the Department of Economics (Oct/Nov 2015) or from the first five weeks of the course “Experimental Methodology” taught by Klarita Gërkhani at the Department of Political and Social Science. Students with other, comparable, background are also welcome to participate.

### Literature:

Papers that students have to find (download) themselves. These are listed below. In addition, you may be interested in the following references:

- *Markets, Games and Strategic Behavior; Recipes for Interactive Learning*, by Charles Holt (Addison Wesley 2006); this is good to read about the basics of running experiments on different topics. It is available [here](#).
- *Handbook of Experimental Economics 2* by John Kagel and Al Roth (Princeton University Press, 2015). This will teach you more about the variety of experiments done.
- *The Handbook of Experimental Economics Results* by Charles R. Plott and Vernon L. Smith (Elsevier 2008) is like an encyclopedia with short descriptions of experiments in a vast number of fields. This is a place to look up whether your own idea for an experiment has been done before.
- *Experimental Economics* by Nicholas Bardsley, Robin Cubitt, Graham Loomes, Peter Moffatt, Chris Starmer and Robert Sugden (Princeton University Press 2010) provides a nice overview of methodological discussions related to laboratory experiments.
- *The Foundations of Behavioral Economic Analysis* by Sanjit Dhami (Oxford University Press 2016). This is more an encyclopedia than a text book, but very useful as a reference to check what has been done in a large variety of experimental work.

### Program:

There will be five meetings. In the first four, specific topics will be addressed. In the class, papers on the reading list will be discussed. It is the students' own responsibility to obtain these papers.

*Discussion memos:* It is important to carefully study each week's papers prior to the meetings. This improves the quality of the discussion since students come to the meeting well prepared.

For this reason, students are requested to prepare a brief discussion memo on *all* the papers programmed for each week. Discussion memos should consist of max 250 words and must focus on the experimental design of the readings. Memos may, for example, compare designs across the papers; highlight alleged shortcomings in one or more designs; comment on the suitability of a design to address the main research question; or posit alternative designs that would allow one to further study the topic at hand.

*Presentations.* In each session, two students will be pre-selected to present one of the papers each in 20 minutes.<sup>1</sup>

The following structure *must* be used in the presentation of a paper.

- Start with a 60 second “elevator pitch”. Here, you explain the paper’s research question, how they do it, and what they find. We will time this and stop you after 60 seconds. This is meant as a training in convincing people (usually big shots) in a minimum time span that they should be interested in your work.
- Present the paper in 15 minutes. This includes questions. Again, We will time you and cut you short after exactly 15 minutes. When preparing your presentation, you will need to reserve time for questions. During the presentation, you will need to efficiently deal with questions.
- *The main focus of the presentation must be on the experimental design.* Explain how the design allows the authors to collect data that help them address their research question.
- 4 minutes for additional questions and answers.

Examination will be based on the student presentations (40%) and on an experimental design to be developed and presented by the students (60%). The design may be joint work with another student. It must address a research question to be chosen by the student(s). More details about the requirements will be given in the course.

What follows is a list of possible papers to choose from. You may, however, *suggest an alternative paper* on the topic for the session concerned. If the session is not yet fully booked, we will consider whether it is suitable. To be so, it must be published in a good journal and, obviously, be related to the topic of that session. Suggestions must reach us no later than February 19, 1 pm.

### **Session 1**

### **Voting**

- Battaglini, M., R. Morton and T.R. Palfrey (2010): “The Swing Voter’s Curse in the Laboratory”; *Review of Economic Studies* 77(1): 61-89.
- Großer, J. and A. Schram (2010): Public Opinion Polls, Voter Turnout and Welfare: An Experimental Study; the *American Journal of Political Science* 54: 700-717.
- Kartal, M. (2015): “A Comparative Welfare Analysis of Electoral Systems with Endogenous Turnout”; *The Economic Journal* 125: 1369–1392.

### **Session 2**

### **Field Experiments**

- DellaVigna, S., J.A. List and U. Malmendier (2012): “Testing for Altruism and Social Pressure in Charitable Giving”; *Quarterly Journal of Economics* 127, 1-56.
- Duflo, E., M. Kremer, and J. Robinson (2011): “Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya”, *American Economic Review* 101: 2350–2390.

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<sup>1</sup> There will be a maximum of two presentations per meeting. If the number of students is too large, we will introduce dual presentations. Some (typically longer) papers will then be presented by two students.

Hossain, T., & List, J. A. (2012): “The behavioralist visits the factory: Increasing productivity using simple framing manipulations”; *Management Science* 58: 2151–2167.

### **Session 3**

### **Markets**

Brunner, Ch., J.K. Goeree, Ch. A. Holt, and J. O. Ledyard (2010): “An Experimental Test of Flexible Combinatorial Spectrum Auction Formats”; *American Economic Journal: Microeconomics* 2, 39–57.

Buser, Th., M. Niederle and H. Oosterbeek (2014): “Gender, Competitiveness and Career Choices”; *Quarterly Journal of Economics* 129(3): 1409-1447.

Weber, M., J. Duffy, and A. Schram (in print): “An Experimental Study of Bond Market Pricing”; *Journal of Finance*. Available [here](#).

### **Session 4**

### **Bargaining / Experimental proposals**

#### *First hour*

Embrey, E., G.R. Fréchette, and S.F. Lehrer (2015): “Bargaining and Reputation: An Experiment on Bargaining in the Presence of Behavioural Types”; *The Review of Economic Studies* 82: 608-631.

Hoffman, S., B. Mihm, and J. Weimann (2015): “To Commit or not to Commit? An Experimental Investigation of pre-Commitments in Bargaining Situations with Asymmetric Information”; *Journal of Public Economics* 121: 95-105.

#### *Second hour*

Students must present their detailed experimental design in precisely 10 minutes each, once again starting with a one-minute elevator pitch. A five-minute discussion will follow the presentation.

### **Session 5**

### **Experimental proposals**

Students must present their detailed experimental design in precisely 10 minutes each, once again starting with a one-minute elevator pitch. A five-minute discussion will follow the presentation.