

## Topics in Experimental Economics

### Lecturers:

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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 a carefully crafted experimental design allows one to collect data that are suitable to find answers to a 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.

### 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.
- *Handbook of Research Methods and Applications in Experimental Economics* by Arthur Schram and Aljaz Ule (Edward Elgar 2019). This has chapters on a broad range of basic topics that are important for understanding the experimental method. It includes chapters on Neuroeconomics.
- *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.
- *Experimetrics: Econometrics for experimental economics*. by Peter Moffatt (Macmillan International Higher Education 2015). This book provides useful and practical guides for statistical analyses for experimental data.

### Program:

There will be five meetings. In the first four, specific topics will be addressed. In each class, two 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

between the two 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 each present one of the papers in 15 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 and motivate the research question in 3 minutes. When preparing your presentation, you will need to reserve time for questions. During the presentation, you will need to efficiently deal with questions.
- Discuss the experimental design in 8 minutes:
  - Explain how the design allows the authors to collect data that help them address their research question.
  - Discuss the treatments and their suitability.
  - Discuss any important elements of the instructions or procedures.We will provide you with a memo on things to look out for in experimental papers.
- Present the main conclusions from the data analysis and tell us the authors’ answer to their research question (3 minutes).

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. Note that more than two papers are listed per session, but *only two* will be presented. Also, you may *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 one week before the first class.

### Session 1

### Voting

Levine, D. and T.R. Palfrey (2007): “The paradox of voter participation? A laboratory study”; *American Political Science Review* 101(1), 143-158.

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.

Großer, J. & Palfrey, T. R. (2019). Candidate Entry and Political Polarization: An Experimental Study. *American Political Science Review*, 113(1), 209-225.

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

## Session 2

## Field Experiments

- Banerjee, A. V., Cole, S., Duflo, E., & Linden, L. (2007). Remediating education: Evidence from two randomized experiments in India. *The Quarterly Journal of Economics*, 122(3), 1235-1264.
- 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.
- Hossain, T., & List, J. A. (2012): "The behavioralist visits the factory: Increasing productivity using simple framing manipulations"; *Management Science* 58: 2151–2167.
- Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, 7(1), 22-53.

## Session 3

## Markets

- Gode, D. K., & Sunder, S. (1993). Allocative efficiency of markets with zero-intelligence traders: Market as a partial substitute for individual rationality. *Journal of Political Economy*, 101(1), 119-137.
- 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 (2018): "An Experimental Study of Bond Market Pricing"; *Journal of Finance* 73(4): 1857-1892.

## Session 4

## Belief formation / Experimental proposals

### First hour

- Mobius, M. M., Niederle, M., Niehaus, P., & Rosenblat, T. S. (2011). Managing self-confidence: Theory and experimental evidence (No. w17014). National Bureau of Economic Research.
- Falk, A., & Zimmermann, F. (2016). Consistency as a Signal of Skills. *Management Science*, 63(7), 2197-2210.
- Enke, B., & Zimmermann, F. (2017). Correlation neglect in belief formation. *The Review of Economic Studies*, 86(1), 313-332.
- Ambuehl, S., & Li, S. (2018). Belief updating and the demand for information. *Games and Economic Behavior*, 109, 21-39.

### Second hour

Students must present their detailed experimental design in 15 minutes each. This must start with a brief (1-2 mins) presentation of the research question and a motivation of why this question is important to address. The rest of the presentation must be devoted to the design and how it relates to the research question. Pay special attention to treatments. Also discuss what you would be able to conclude, should subjects behave differently than you expect them to. A five-minute discussion will follow the presentation.

## Session 5

## Experimental proposals

Students must present their detailed experimental design in 15 minutes each. This must start with a brief (1-2 mins) presentation of the research question and a motivation of why this question is important to address. The rest of the presentation must be devoted to the design and how it relates to the research question. Pay special attention to treatments. Also discuss what you would be able to conclude, should subjects behave differently than you expect them to. A five-minute discussion will follow the presentation.