

Topics in Experimental Economics

Lecturer:

Prof. A. Schram (Schram@uva.nl) and Prof. K. Gërkhani (Klarita.Gerxhani@EUI.eu)

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 Sciences. 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.
- *Handbook of Experimental Economics* by John Kagel and Al Roth (Princeton University Press, 1995). This will teach you more about the variety of experiments done. It is somewhat outdated, but no recent book is available at this point in time.
- *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.

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. For each paper one student will be pre-selected to present it in 25 minutes.¹

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

¹ There will be a maximum of three papers 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.

- 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.
- If the paper presents an experiment (most do), the presentation must pay *specific attention to the experimental design and its appropriateness for the problem at hand*.
- 5 minutes for presentation and discussion of two one-line propositions about the paper, developed by you. These propositions must be sent to us no later than 9 am on the day of the class.
- 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 readings 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 May 3rd, 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.
- Goeree, J.K., C.H. Holt (2005): “An explanation of anomalous behavior in models of political behaviour”; *American Political Science Review* 99: 201-213.
- 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., E. Reuben, and A. Tymula (2013): “Political Quid Pro Quo Agreements: An Experimental Study”; *American Journal of Political Science* 57: 582-597.
- Kartal, M. (2015): “A Comparative Welfare Analysis of Electoral Systems with Endogenous Turnout”; *The Economic Journal* 125: 1369–1392.
- Levine, D.K. and T.R. Palfrey (2007): “The Paradox of Voter Participation? A Laboratory Study”, *American Political Science Review* 101: 143-158.

Session 2

Field Experiments

- Bertrand, M. and S. Mullainathan (2004): “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination”; *The American Economic Review* 94: 991-1013.
- 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.

- Hossain, T., & List, J. A. (2012): “The behavioralist visits the factory: Increasing productivity using simple framing manipulations”; *Management Science* 58: 2151–2167
- Landry, C., A. Lange, J.A. List, M.K. Price and N.G. Rupp (2006): “Towards an Understanding of the Economics of Charity: Evidence from a Field Experiment”; *Quarterly Journal of Economics* 121: 747–782.
- Soetevent, A.R. (2005): “Anonymity in Giving in a Natural Context, A Field Experiment in 30 Churches”; *Journal of Public Economics* 89, 2301–2323.

Session 3

Markets

- Abbink, K. and J. Brandts (2008): “24. Pricing in Bertrand Competition with Increasing Marginal Costs”; *Games and Economic Behavior*, 63, 1-31.
- 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.
- Eckel, C.C., and S. C. Füllbrunn (2015). "Thar SHE Blows? Gender, Competition, and Bubbles in Experimental Asset Markets"; *American Economic Review*, 105: 906-20.
- Gërzhani, K., J. Brandts and A. Schram (2013): "The Emergence of Social Structure: Employer Information Networks in an Experimental Labor Market"; *Social Networks* 35: 541-560.
- Henze, B., Noussair, C.N., & Willems, B. (2012): “Regulation of Network Infrastructure Investments: An Experimental Evaluation”; *Journal of Regulatory Economics* 42(1): 1-38.

Session 4

Statistical Analysis of Experimental data / Experimental proposals

First hour

- Feltovich, N. (2003): “Nonparametric Tests of Differences in Medians: Comparison of the Wilcoxon–Mann–Whitney and Robust Rank-Order Tests”; *Experimental Economics* 6: 273-297.
- Moir, R., (1998): “A Monte Carlo Analysis of the Fisher Randomization Technique: Reviving Randomization for Experimental Economists”; *Experimental Economics* 1: 87-100.
- Schlag, K.H. (2015): “Who gives Direction to Statistical Testing? Best Practice meets Mathematically Correct Tests”; working paper, University of Vienna.

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.