

Econ4230: Experimental Economics

Spring 2018, M/W 3:00 – 4:15pm

Instructor: Dr. Vjollca Sadiraj

Lab Sessions: Experimental Economics Lab, 4th floor, Andrew Young School of Policy Studies Bldg.

Pre-Requisite: Econ2106 (Principles of Microeconomics)

This course syllabus provides a general plan for the course; deviations may be necessary.

Course Description

Experimental economics is a relatively new field in which decision making is examined in a controlled laboratory setting. The data from these experiments are used to evaluate theories as well as to test and fine tune policies that could not be easily tested with naturally-occurring data. The range of applications for experimental research is broad (and growing) and includes fields such as public economics, industrial organization and regulation, environmental economics, game theory, and bargaining. This course surveys research in many of these fields and provides a basic framework for designing and conducting experiments. In this sense the course fulfills two objectives: to encourage students to think about the empirical and policy implications of the economic theories taught in other classes and to teach skills that may be used to conduct empirical analysis (using laboratory and field data).

Useful Information:

Office Location: School of Policy Studies Building, Room 453

Office Phone: 404-413-0193

Office Hours: Mondays, 4:30 –5:30 pm and by appointment

Email: vsadiraj@gsu.edu

Required Reading

Markets, Games, & Strategic Behavior by Charles A. Holt (2007 Pearson Education Inc.)

Economics Lab: An Intensive Course in Experimental Economics by Daniel Friedman and Alessandra Cassar (2004 Routledge Press)

Additional readings and class information will be available online.

Method of Instruction This course requires the active participation of all class members for it to be successful. I expect students to read the assigned material *before* class and to come to class prepared to discuss it. You may have questions about some of the readings; this is fine. Keep track of your questions and plan to talk about them during class. In addition to class discussion, students will participate in experiments on a regular basis (both in class and outside of class).

Academic Honesty It is your responsibility to avoid any activity that suggests cheating on any assignment or exam. Please refer to the University policy on academic honesty (section 409).

Statement on course assessment "Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take time to fill out the online course evaluation."

Statement on accommodation for a disability "Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought."

Grading Policy

Letter Grade	Point Range
A+	368-375
A	347-367
A -	336-346
B +	325-335
B	310-324
B -	299-309
C +	287-298
C	272-286
C -	261-271
D	224-260
F	0-223

Distribution of points – Exams, Project, Homework, Attendance

Class Participation and Attendance	25 points
HW Assignments	70 points
Course Project	100 points
Two Exams (each exam)	180 (90) points

Class Participation and Attendance I expect everyone to complete the assigned reading before class and to be prepared for class discussion. Another component of your participation grade stems from taking part in experiments. Many of the experiments will be conducted at the beginning of class. You will earn bonus points on the experiments. Every ten bonus points is worth 1 point toward your total points for the class. Attending class regularly and being on-time is important for your success in this course. If you arrive after we have started the experiment instructions you will not be allowed to participate in the experiment. If you arrive after I have taken attendance, it is your responsibility to see me at the class break to make sure I have noted your attendance on my record.

Homework Assignments Homework assignments are worth a total of 70 points. Group work is encouraged, but students should NOT simply copy assignments. Completing the assignments helps your understanding of the material. I will give you 90% of the full credit if you attempted each problem and the remaining 10% of the full credit if your answer to the question (randomly) selected to be graded is correct. The homework will be due on Wednesdays, the week after they are assigned. Late homework will not be accepted.

Course Project Over the course of the semester you will work on a project to design and conduct an experiment. As part of the project, you will identify a topic you are interested in and plan a pilot experiment. The experiment may be based on an experiment we have studied in class. Depending on the topics suggested (and on the number of students in the class) I expect to assign you to a group of 2 (or 3) students who will work together to design and conduct the pilot experiment. Most of these experiments will be conducted in class (using your classmates as subjects). March 8 is the deadline for turning in a written report that describes your research topic, the experimental design, and instructions for the experiment. April 24 is the deadline for turning in a final written report that in

addition to the motivation for your work, the experimental design, and instructions includes results of the experiment, and a critical analysis of the experiment.

Exams

In-class Exam 1 Wednesday, February 19

In-class Exam 2 Wednesday, April 4

There will be two in-class examinations. Each exam is worth 90 points. You may NOT miss a midterm exam. The exams will be similar in format to the homework assignments, examples we discuss in class and problem sets I post on the class website.

Make-up Examination Policy There will be NO make-up exams. Special exam times will be arranged only for a student with *substantive and unavoidable reasons* for missing the regular time. I cannot postpone exams because of deadlines or exam dates in other courses. Such actions would not be fair to other students in the class who likely also face pressure from work in other classes but take the exams at the scheduled time anyway.

Learning Objectives for Econ4230

1. The student should be able to identify the primary reasons for conducting economics experiments and provide examples of each from the relevant literature.
2. The student should know the features of a good experimental design and be able to identify strengths and weaknesses of any given experimental design.
3. The students should be able to identify the differences between a laboratory experiment and a field experiment and be able to give examples of each.
4. The student should be able to conduct a classroom experiment and effectively lead class discussion after the experiment.
5. The student should be able to distinguish between the double-auction and posted-offer market institutions and identify the key performance features of each institution.
6. The student should be able to define risk aversion and discuss the effects of monetary stakes on empirical estimates of risk aversion.
7. The student should be able to find the equilibrium outcome of a simple 2x2 matrix game.
8. The student should be able to distinguish between an ultimatum and dictator game and discuss how experimental results from these two games provide evidence about the existence of “other-regarding” behavior.
9. The student should be able to identify what factors affect the level of contributions in public goods experiments.
10. The student should be able to discuss how voting agendas may affect election outcomes.

Reading Assignments

1. Capra, Goeree, Gomez, and Holt, 1999. "Anomalous Behavior in a Traveler's Dilemma?" *American Economic Review*, 678-690.
2. Cox J. and V. Sadiraj, 2012. "Direct Tests of Individual Preferences for Efficiency and Equity," *Economic Inquiry*, 50(4), 920-931
3. Cox, J., Friedman D. and V. Sadiraj, 2008. "Revealed Altruism," *Econometrica* 76, 31-69.
4. Cox J., Sadiraj K. and V. Sadiraj, 2008. "Implications of Trust, Fear, and Reciprocity for Modeling Economic Behavior," *Experimental Economics* 11, 1-24.
5. Cox, J., Ostrom E., Sadiraj V. and J. Walker, 2013 "Provision versus Appropriation in Symmetric and Asymmetric Social Dilemmas," *Southern Economic Journal* 79(3), 496-512.
6. Chamberlin, H.E., 1948. "An Experimental Imperfect Market", *The Journal of Political Economy*, 95-108.

7. Eckel and Holt, 1989. "Strategic Voting in Agenda-Controlled Committee Experiments", *American Economic Review*, 763-73
8. Güth, Schmittberger, and Schwarze (1982). "An Experimental Analysis of Ultimatum Bargaining", *Journal of Economic Behavior and Organization*, 367–388.
9. Holt and Laury, 2002. "[Risk Aversion and Incentive Effects](#)," *American Economic Review*, 1644-1655.
10. Isaac and Walker, 1988. "Group Size Effects in Public Goods Provision: The Voluntary Contribution Mechanism", *Quarterly Journal of Economics*, 179-199.
11. Plott and Levine, 1978. "A Model of Agenda Influence on Committee Decisions," *American Economic Review*, 146-60.
12. Smith 1962. "An Experimental study of competitive market Behavior", *Journal of Political Economy*, 111-137.
13. Smith, 1989. "[Theory, Experiment, and Economics](#)," *Journal of Economic Perspectives*, 151-169.

Course Calendar: ECON 4230

Date	Topic
Week 1	A Pit Market Class Experiment (Ch.2, Holt)
	Theory, Experiments and Economics (JPE, Smith 1989)
January 15	Martin Luther King Holiday
Week 2	Who, what, when and why (Ch.1, Holt; Ch.2, F&C)
	Market Lab Experiment; Meet at the ExCEN laboratory
Week 3	Double Auction Markets Experiment (Smith, 1962)
	First Principles (Ch.3, F&C)
Week 4	Cournot Duopoly Class Experiment (Ch. 6, Holt; ch.13 online version)
	Market Power (Ch.8, Holt; ch.15 online)
Week 5	Posted-Offer Markets Lab Exp.; Meet at the ExCEN lab
	Collusion and Price Competition (Ch.9, Holt; ch.16 online)
Week 6	Some Simple Games (Ch.3, Holt; ch. 3 online)
	Traveler's (or Prisoner's) Dilemma Class Exp. (Capra et al. '99)
February 19	Exam 1
Week 7	Public Goods Lab Exp. (Isaac and Walker, 1988); Meet at the ExCEN laboratory
	Voluntary Contributions (Ch.14, Holt; ch.26 online version)
Week 8	Dialogues with the data (Ch.5, F&C)
	Ultimatum Bargaining (Ch.12, Holt; ch.23 online version)
March 7	First part of the Project Report is Due
March 12-18	Spring Break
Week 9	Preferences for Efficiency and Equity (Cox and Sadiraj, 2010)
	Trust, Fear and Reciprocity (Cox and Sadiraj, 2008)
Week 10	Revealed Altruism (Cox, Friedman and Sadiraj, 2008)
	Provision and Appropriation Games (Cox, Ostrom, Sadiraj, Walker, 2013)
Week 11	A Lottery Choice Class Exp. (Ch.4, Holt; Holt and Laury, 2002)
April 4	Exam 2
Week 12	Student Project Presentations and Pilot Experiment
	Student Project Presentations and Pilot Experiment
Week 13	Student Project Presentations and Pilot Experiment
	Student Project Presentations and Pilot Experiment
Week 14	A Voting Class Experiment (Plott and Levine, 1978)
	Voting Agendas and Outcomes (Ch.18, Holt; ch. 25 online version)
April 23	Project Report is Due

