

(Behavioral and) Experimental Economics Fall 2019

Semester: Fall 2019

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Hours: Tuesday 13:40-15:00, Thursday 16:40-18:00, Room R201

Office Hours: TBD

Summary: Experimental Economics is the branch of economics concerned with testing economic theory, and sometimes providing atheoretical insights, using controlled experiments. In this course, you will:

- Learn the fundamentals of game theory (which experimental economists use to make predictions);
- Learn how to design and run an economics experiment;

And, most importantly:

- Learn how to read and interpret papers written by experimental economists.

Is this course for you? My goal is to teach you how to understand and critically evaluate the results of economic experiments and give you a good sense of where the field is today. I am less interested in teaching you “useful” insights for investing in the stock market, running a business, or making good economic decisions in your personal life. A necessary but perhaps not sufficient condition for staying alive in this course is that you are interested in economics *as a science* (i.e., beyond practical usefulness). Ideally, you are at least considering obtaining an Economics PhD in Europe or the United States.

Text: Because the field is new and constantly evolving, there is no textbook. However, readings will be assigned for most lectures. These readings will include papers published in academic journals, recent working papers that have not yet been published, and course notes posted on the website. Some of the assigned readings will be challenging, and I will provide you with a guide on what sections to read and how to read them. ***You will be tested on the readings both in midterm/final exams and in “surprise” quizzes!***

Prerequisites: I will assume that you are familiar with basic economic concepts such as expected utility, risk aversion, discounting, utility

maximization, and so on. I will also assume that you are comfortable with derivatives and basic mathematical notation/logic. It is not my job to test you on these skills, but you will need them to understand some of the content of the course. As an imperfect test, if you can follow the first three pages of these notes without any problem, you should be fine:

<https://web.stanford.edu/~pkurlat/teaching/1%20-%20Endowment%20Economy.pdf>

Course format: The course will consist of lectures on the relevant theoretical background (mostly game theory), lectures on experimental economics (based on the assigned readings), and classroom experiments.

Homework: Your homework will be to do the assigned readings. You will be tested on the readings in class in ten “surprise” multiple choice quizzes. Each quiz will have three questions, and getting 2/3 questions right will add 1% to your overall grade.

Grading: Your grade will be based on the midterm (40%), final (50%) and surprise quizzes (10%).

Topics: The topics will be chosen less on the basis of their historical significance and more on the basis of my own interests. The following is a sampling of some of the questions we will address:

- What does it mean for behavior to be rational? Rationalizable? Are subjects in experiments rational? Do they act as if they think others are rational? What implications does this have for game theory?
- What makes people cooperate? Is it altruism (regard for other people), concern with maintaining a good reputation, or something else?
- What makes people come to different conclusions on the basis of the same information? How can we model confirmation bias?

The lecture notes and course readings will be posted on the course website.