Syllabus

Course Description
Experimental Economics is a relatively new field in Economics that studies choices in a controlled environment, which we call the laboratory, or lab. Experimental Economics provides economists with an alternative way of empirically testing a wide variety of economic theories. For instance, it can be used to study bargaining to see how fairness considerations affect offers and counter offers, auctions to better understand the efficient allocation of goods, and public goods to address the free rider problem.

Prerequisite: ECON 101

Office: Rich 311C; e-mail: klanier@emory.edu
Office Hours: Tuesday and Thursday: 12:30 – 2:00
By Appointment


Objective: The main objective of this course is to provide an introduction to the use of experiments in economics. Experiments are conducted by bringing participants or subjects (usually students) to a room (the lab) and by reading instructions that explain how their decisions affect their earnings. The experiment is designed to test participants’ choices in an environment that resembles an actual economic situation. In a way, the experimenter creates a controlled replica of a market, auction, or game. Usually, participants are financially motivated in the sense that all earnings they get from their choices are paid in cash. We will discuss experiments over a wide range of issues in individual choice such as risky decision-making, industrial organization, labor economics, finance, public economics, game theory, and strategic decision-making. Consequently, this material will offer you a new perspective on many topics that you may have already studied in other courses, or that you will study in the future.

Most experiments will be run in the lab via computer using the VECONLAB program developed by Professor Charlie Holt at the University of Virginia. These games can be accessed at http://veconlab.econ.virginia.edu/login.htm. The experiments are also discussed in the book, Market, Games, and Strategic Behavior. We will also use pencil and paper to run experiments.
In addition to studying existing experimental work, you will be given the opportunity to design and present your own experiment.

**Announcements:** You are responsible for any announcements or assignments made in class and/or on Blackboard. In particular, there will be numerous articles to read and prepare for discussion.

**Honor Code:** The honor code is in effect throughout the semester. By taking this course, you affirm that it is a violation of the code to cheat on exams, to plagiarize, to deviate from the teacher’s instructions about collaboration on work that is submitted for grades, to give false information to a faculty member, and to undertake any other form of academic misconduct. You agree that the teacher is entitled to move you to another seat during examinations, without explanation. You also affirm that if you witness others violating the code you have a duty to report them to the honor council. If you have a question concerning what is appropriate for an assignment or anything else, ask me. In general, you are expected to behave such that your academic integrity is beyond question. Please see Article 4 of the honor code if you have any questions regarding academic misconduct: [http://catalog.college.emory.edu/academic/policies-regulations/honor-code.html](http://catalog.college.emory.edu/academic/policies-regulations/honor-code.html)

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**GRADING AND TESTS**

The grades in this course will be determined as follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight in Final Grade</th>
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<tbody>
<tr>
<td>Mini-Research Assignments (Problem Sets)</td>
<td>15%</td>
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<tr>
<td>Midterm Exam</td>
<td>15%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>20%</td>
</tr>
<tr>
<td>Project</td>
<td>50%</td>
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The Economics Department has adopted the following suggestion regarding grade distributions:

- A/A- not to exceed 35%
- A through B- not to exceed 80%
- C+ or below at least 20%

In light of these guidelines, numerical grades *may* align with letter grades as follows:

- ≥ 96% receives at least an A
- ≥ 93% receives at least an A-
- ≥ 90% receives at least a B+
- ≥ 86% receives at least a B
- ≥ 83% receives at least a B-
- ≥ 77% receives at least a C+
- ≥ 73% receives at least a C
- ≥ 70% receives at least a C-
- ≥ 67% receives at least a D+
- ≥ 60% receives at least a D
- < 60% receives an F
Mini-Research Assignments (Problem Sets) (15%): In addition to frequent class participation assignments, there will be two mini-research assignments during the first part of the course. While you will be expected to submit an answer for each of the questions in each set, they may not all be selected for grading. These questions will be similar in style and difficulty to those you will see on the midterm exam.

RA #1: Available January 28, Due February 04
RA #2: Available February 11, Due February 18

Midterm Exam (15%): There will be one in-class exam. Questions on this exam will be similar in style to questions in your problem sets. The exam will cover assigned readings, the core material discussed in the lectures, and the problem sets. It is vital, therefore, to attend class to ensure you do not miss relevant material. No make-up exams are given. If you are ill, or must miss the exam for some other reason, please contact me prior to the exam. Failure to do so may result in a failing grade. For an excused absence, the other categories will be weighted more heavily in place of the missing exam. The date of the midterm exam is Tuesday, March 15.

Class Participation/Attendance (20%): This course is designed to be highly interactive. You are expected to attend all classes. Attendance is particularly important for Experimental Economics because all experiments are programmed and designed with a specific number of subjects in mind. If you need to miss a class because of a medical (or other good) reason, you must let me know in advance. In addition, you are expected to keep up with the reading material and come to class prepared to discuss assigned articles and to submit your summary sheet(s) (which will be explained later) or other small assignments. I expect students to be involved in class discussions, ask questions, answer questions, and provide thoughtful analysis. Your grade for this part of the course will be determined by your performance on summary sheets and other small assignments, on oral presentations of articles assigned, and primarily on your contributions to class discussions. If you miss (or are tardy) no more than 3 classes, 5 points will be added to the score earned on your midterm.
**Project (50%)**: One of the best ways to gain an appreciation for the field of experimental economics is to engage in research. A major focus of the second half of this course will be designing (and conducting) original research. In groups of two, you will be asked to develop a research project (including proposal, instructions, paper, and presentation). As a class, you will vote on two of these projects to be piloted. We will recruit subjects and work together to conduct experimental sessions for two projects. Each person in the course will submit a “journal article” regarding his/her own group project. Detailed instructions will be provided at a later time; however, please keep the following key dates in mind:

- **February 25** – Proposals Due (5%) – 1 per group
- **March 03** – Instructions Due (5%) – 1 per group
- **March 17** – Pilot Sessions (part of participation grade)
- **March 22-25** – Conduct Experiments
- **March 29** – Reverse Outline Due (part of participation grade)
- **March 31** – Introduction and Literature Review Sections Due (10%)
- **April 07** – Methods Section (Includes Design and Procedures) Due (10%)
- **April 14, 19, 21** – Group Presentations (10%) – 1 per group
- **May 02** – Data Analysis Plan and Conclusion Due by 3:00 PM (10%)

**Expected Conduct**

It is everyone’s responsibility to foster mutually respectful learning environments. In this course, we will strive to have a positive, friendly, and productive environment. Specifically, expectations are as follows:

**Instructor:**

- I will come to class prepared to teach the material you need to learn in this course.
- I will make every effort to arrive on time, begin class on time, and release you on time.
- I will answer your questions to the best of my ability and respond in a timely fashion should I not immediately know the answer.
- I will hold regular office hours and be available to answer your questions.

**Students:**

- You are expected to arrive on time and prepared for class. (Late arrival disturbs everyone and will not be allowed.)
- Please turn off your phones and all other electronics before you enter class.
- Participate in class discussions, and do not hold side conversations.
- Be attentive and take detailed notes. Having a computer in front of you may lure you into checking emails, chatting, or shopping online. You will be asked to turn off the computer monitors when we are not using them for experiments.
- Complete assignments as they are assigned. Your contribution is needed for a successful class.
- Please discuss with me any problems you may have in the course or any suggestions to improve the course.
Email Etiquette: Please email me at klanier@emory.edu. I will do my best to respond to your email within 24 hours (on a weekday).

Blackboard: Blackboard is a communication medium used to make announcements, distribute handouts and lectures, post reading material, collect assignments, and record and distribute grades. To get to the Blackboard main page, go to: https://classes.emory.edu and then use your email ID and Password to log in and select our course. If you cannot log in, you may contact classes@emory.edu for help. There are several navigation buttons that we will use to organize and classify information. Among these are:

• Announcements – used to make various announcements. Please read this section regularly.
• Syllabus
• Course Documents – used to post assignments, additional reading, and occasional lecture notes
• Assignments – for some submissions
Topics – In No Specific Order

Note: Please do not read ahead in your text!! Your first exposure to these topics should be through experience and discussion.

I. Introduction and Overview
   Methodological issues: An introduction to experimentation in social sciences

II. Market Experiments and Trading Institutions
   Double auctions trading institutions
   Posted offer markets

III. Bargaining and Behavioral Labor Economics

IV. Public Choice

V. Auctions
   Private value auctions: first-price sealed bid auctions and second price auctions
   Common value auctions: The Winner’s Curse

VI. Individual decision experiments

VII. Information, Learning, and Signaling

VII. Behavioral Game Theory

VII. New Research