

Economics 434: Experimental Economics

Spring 2008

Instructor: Dr. Jennifer Pate

Office: University Hall 4218

Office Phone: 310-338-1738

E-mail: jpate1@lmu.edu

Office Hours: TR 3:00-5:00pm and by appointment

Course Web Sites: <http://myweb.lmu.edu/jpate> and Blackboard

Course Overview:

This course will be an introduction to experimental economics, focusing on many well-developed areas of laboratory-tested experiments as well as experimental methodology. We will examine a series of outcomes in each major area and discuss how the findings relate to one another and how they expand our knowledge of human behavior in certain situations. This course will include topics such as experiments involving individual decision making, game theory, market experiments, auctions, bargaining, trust and public choice.

This course is designed to teach (1) the development of experimental economics as a relatively recent field of study, (2) the basics of experimental methods, focusing on design, (3) experimental findings from a wide range of studies and their importance in understanding human behavior, and (4) knowledge and experience with designing, conducting, reporting and presenting an experiment. This course also aims to improve reading comprehension, writing skills, presentation skills, and students' ability to form quality arguments and express them in a professional manner.

Evaluation:

Your grade in this class will be determined by your performance on 15 written summaries, one group presentation of an experiment run in class, two exams, a final project and your participation in class discussions.

- **Summaries** Readings will be assigned for each class, consisting of articles from Economics journals, and will be posted on Blackboard the week before. You are responsible for completing the reading and understanding the material. Additionally, you must write a one-half to one page summary of the reading, including (1) a brief introduction of the topic, (2) the main findings of the article, (3) a description of one result that was particularly interesting to you (why?), and (4) one discussion question. The question should be well thought-out and could include anything from a point you found confusing to a possible application. We will discuss a total of 18 papers in this class and you are responsible for completing 15 summaries. If you are late to class or miss a class, you may NOT turn in a summary. It will simply be one of your "skipped" summaries.
- **Group Presentation** We will run six in-class experiments (for cash!) in this course to demonstrate the method of laboratory testing. After each experiment, one group will compile the data and present the results in the following class period. This should include descriptive figures and a brief discussion of the expected versus actual findings, and should be approximately 15-20 minutes in length. Each person will participate once and the groups and presentation dates will be formed by a random draw.

- **Midterm and Final Exam** The exams are designed to test your knowledge of experimental methods and topics covered in class. They will be open-book and open-note.
- **Final Project** This is a 3 person project to design and test your own experiment based on an earlier class topic on human subjects. You will present your experimental findings to the class and write up a report discussing your topic, design, data, and results, which will be due during finals week. More detailed instructions for the final project will be handed out later in the semester, but you should watch for topics that are particularly interesting to you and keep notes of ideas for design variations.
- **Class Participation** Attendance is mandatory. We only meet 27 times, so every class counts. An unexcused missed class will cost you 1/3 of a grade (i.e. lose a +, or move to a -), with 2 unexcused misses resulting in a full letter grade drop. If you must miss a class for illness or LMU-approved travel, you need to tell me BEFORE class. Also, being late to class TWICE equals one absence, so please be on time!

You should come to class on time and be prepared to discuss the readings. This class will be run very similar to a graduate school seminar, meaning you will lose points if you fail to contribute to class discussions.

The breakdown of points is as follows:

Summaries	150 (15 summaries @ 10 points each)
Group Presentation	50
Midterm and Final Exam	160 (80 points each)
Final Project	100
Class Participation	40
Total Points	500

Grading Scale:

We will adhere to a standard grading scale, where 90% and up = A, 80-89% = B, 70-79% = C, and so on.

Academic Integrity:

I encourage you to study with one another and discuss among yourselves the material from class. However, the summaries must be completed individually. Copying or obvious sharing of any kind will result in zero points for both parties. Plagiarism is prohibited. Any violation of academic integrity will result in automatic failure of the assignment and potential for failure in the course.

Economics 434
Tentative Course Schedule

Week	Topic/ Reading Assignment
January 15 & 17	Introduction to Experimental Economics (1) Methodology
January 22 & 24	(2) Are Economists Different? (3) Preference Reversals
January 29 & 31	(4) The Endowment Effect (5) Intertemporal Choice
February 5 & 7	EXPERIMENTS 1A and 1B Presentation of the experimental results/ (6) Puzzles
February 12 & 14	(7) The Ultimatum Game (8) Trust and Reciprocity
February 19 & 21	(9) The Volunteer's Dilemma EXPERIMENTS 2A and 2B
February 26 & 28	Group Presentations/ (10) Cooperation MIDTERM - February 28th (Covering topics 1-9)
Week of March 3-7	SPRING BREAK!
March 11 & 13	(11) Studying Economics and Cooperation (12) Beauty-Contest Games
March 18 & 20	(13) Bargaining Behavior *NO CLASS March 20 th
March 25 & 27	(14) Market Price Controls (15) Auction Markets
April 1 & 3	(16) The Winner's Curse EXPERIMENTS 3A and 3B <i>Outline of final project due</i>
April 8 & 10	Group Presentations/ (17) Price Bubbles in Asset Markets (18) Environmental Issues
April 15 & 17	Preparation for data collection
April 22 & 24	Experimental Testing
April 29 & May 1	Group Presentations
FINAL EXAM (Covering all topics) AND FINAL PROJECT DUE Tuesday, May 6th from 2:00-4:00pm	