EC 885
Experimental Economics I
Fall 2010
Monday 4:30 – 7:10 pm, Science and Technology II, room 220 (Fairfax)

Professor Ragan Petrie
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Office Hours: Monday, 1:00-2:45pm, room 344 Enterprise Hall, or by appointment

Course Objectives: We will survey some of the recent literature in Experimental Economics. Research in this area is enormous, and we will not be able to cover everything. The goal of this course is to give you a flavor of some seminal research papers, as well as some of the currently active areas of research. The experimental research project that you develop in this class could become a chapter in your dissertation. The background for the course is graduate-level microeconomic theory and game theory.

Texts: There are no required texts for the class, but the following two books are highly recommended:


In-class Quizzes: Students are expected to read the assigned papers before each meeting and participate in discussion of the research. At the beginning of each class when there is not a student presentation, there will be a short quiz on the assigned readings for the day. Quizzes start Sept 13 and count for 20% of the course grade. I will take your best seven quizzes to determine the grade and will drop the rest.

Project: There will be no exams for the course, but students will be required to submit two course projects.

PROJECT 1: Write a paper that surveys the literature in one area of interest of any topic concerning experimental economics and suggest tests of unanswered questions. Topics may be different from those covered in the course, but should be approved by Professor Petrie. Maximum length should be 10 pages.

PROJECT 2: Design an experiment. The design should include a statement of the research question, a prediction based on economic theory, the task the subjects will complete, a sketch of the protocol (including complete instructions for subjects and directions for experimenters), number of subjects per condition, and a description of how the data will be analyzed to test the prediction. Students are encouraged to work in pairs to design their studies. At the end of the semester, each team of designers must present their experimental idea to the class.

Grading: 20% in-class quizzes, 40% Project 1, 40% Project 2.

Blackboard: Class announcements, schedule of readings, and other important information will be posted on Blackboard.

Disabilities If you are a student with a disability and you need academic accommodations please see me and contact the Office of Disability Resources at (703) 993-2474. All academic accommodations must be arranged through that office. You must contact me within the first week of classes to arrange accommodations.

Course Outline

This is an outline. There will most likely be changes during the semester as we adjust for time to cover the topics listed below and student interest. Any changes will be announced in class and posted on Blackboard

1. Introduction (1 week)
2. Identifying Individual Preferences (2 weeks)
   a. Risk
   b. Time
   c. Revealed Preference
   d. Anomalies and Critiques
3. Altruism, Fairness and Trust (2 weeks)
   a. Bargaining
   b. Dictator
   c. Trust
   d. Models of Fairness
4. Further Evidence on Nonstandard Preferences (2 weeks)
   a. Altruism and Giving
   b. Norms, Status and Social Identity
   c. Gift Exchange
   d. Discrimination
   e. Gender and Beauty
   f. Critiques from the Field
5. Social Interactions – Groups (2 weeks)
   a. Public Goods, Cooperation
   b. Building Cooperation
   c. Peer Effects
   d. Competition
   e. Lying
   f. Self-Serving Bias and Self-Signaling
6. Signaling and Reputation (< 1 week)
7. Learning, Bias, Reasoning (< 1 week)
8. Markets (2 weeks)
   a. Auctions
   b. Asset Markets
9. Student Presentations (2 weeks)
Reading List

Readings with an asterisk (*) are required.

1. Introduction

* Roth, Alvin, “Introduction to Experimental Economics,” chpt 1 in HEE.

* Chpt 1 in BGT.


2. Identifying Individual Preferences

* Camerer, Colin, “Individual Decision Making,” chpt 8 in HEE.

Risk Preferences


**Time Preferences**


**Revealed Preference Approach**


**Anomalies and Critiques from the Field**


**3. Altruism, Fairness and Trust**

**Bargaining**

* Roth, Alvin, “Bargaining Experiments,” chpt 4 in HEE.

* Chpt 2 in BGT.


**Dictator games**

* Chpt 2 in BGT.


**Trust**

* Chpt 2 in BGT.


**Models of Fairness**


### 4. Further Evidence on Nonstandard Preferences

#### Altruism and Giving


#### Norms, Status and Social Identity


Gift Exchange


Discrimination


Gender and Beauty


Critiques from the Field


5. Social Interactions – Groups

Public Goods, Cooperation


  a. Linear Public Goods Games


**b. Provision Point**


**c. Mechanism Design**


**d. Fund-raising and Organic Mechanisms**


e.  Field Studies


**Building Cooperation**


Peer Effects


Competition


Lying


Self-Serving Bias and Self-Signaling


6. **Signaling and Reputation**

* Chpt 8 in BGT.


7. **Learning, Biases and Reasoning**


8. **Markets – Auctions and Asset Markets**

**Auctions**


**Asset Markets**

* Sunder, Shyam, “Experimental Asset Markets: A Survey,” chpt 6 in HEE.

