ADVANCED EXPERIMENTAL ECONOMICS

Lecturers: Peter Katuščák and Michal Bauer

Location: Lectures – Friday 8:30-12:00 (CERGE-EI), Seminars (laboratory sessions) – Thursday (LEE at the VSE). The seminars will not take place every week. Most of them will be during the first half of the course.

Course description: This is a graduate-level topics course in Experimental Economics. The aim is to expose students to multiple potential research topics and related literature. Hands-on participation in in-class experiments will be an integral part of the course. Basic background in microeconomic theory and game theory is assumed. The first part of the course will be based on lab experiments and the second part will study field experiments.

The course will predominantly be based on book chapters and articles and students are expected to read the assigned articles before each class. Below is an extended reading list, and we will only cover a selected subset of papers from it (denoted by asterisk). The list serves as source for further reading in the respective areas.

Grading: Students will be graded based on individual term papers to be submitted by TBA to Peter.Katuscak@cerge-ei.cz or Michal.Bauer@cerge-ei.cz. In this paper, a student should outline a research question to be addressed by experimental economic methods, review the literature, propose a detailed experimental design, outline hypotheses to be tested and discuss how these hypotheses will be tested.

PART I: LAB EXPERIMENTS (PETER KATUŠČÁK)

Topics list:

1. Introduction and methodology
2. Preference elicitation
   - Willingness-to-pay elicitation
   - Belief elicitation
   - Risk aversion elicitation
3. Altruism, Fairness and Bargaining
   - Dictator game
   - Ultimatum game
   - Two-stage bargaining game
4. Trust, Reciprocity and Principal-Agent Games
   - Trust game
• Reciprocity game
• Principal-agent game

5. Cooperation
• Prisoners’ Dilemma

6. Coordination
• Battle of the Sexes
• Minimum effort game

7. Guessing
• Guessing (beauty contest) game

8. Public Goods
• Voluntary contributions game
• Voluntary contributions with punishments
• Provision-point mechanism

9. Auctions
• Overview of auction formats
• Independent private values: English, Dutch, first-price sealed-bid and second-price sealed-bid auctions
• Common values: first-price sealed-bid

10. Financial Markets
• Multi-unit double-auction:
• Stock-market, bubbles
• Prediction market

Textbook: Class readings will be based on two textbooks and on individual articles. The two textbooks are:

Other good reference readings are:


Article readings: Articles denoted by asterisk will be discussed in class. Other articles are for student reference. Further articles may be assigned for in-class discussion before or during the course of the semester.
1. Introduction and Methodology

*Holt, chapter 1.


2. Preference Elicitation

*Holt, chapters 4 and 30.


3. Altruism, Fairness, and Bargaining

a. Dictator, Ultimatum and Bargaining Games

*Holt, chapter 12


b. **Models of Inequality Aversion**


4. **Trust, Reciprocity and Principal-Agent Games**

*Holt, chapter 13.


5. Cooperation

*Holt, chapter 3.1-2.


6. Coordination

*Holt, chapters 3.3 and 26.

Ochs, Jack. Coordination. In Kagel and Roth.


7. *Guessing*

*Holt, chapter 3.4.


8. *Public Goods*

*Holt, chapters 14 and 15.


a. *Linear Public Goods Games*


b. **Provision Point**


9. **Auctions**

  *Holt, chapters 19 and 21.


  **a. Private-Value Auctions**


  *Chen, Yan, Peter Katuscak and Emre Ozdenoren. “Why Can’t a Woman Bid More Like a Man?”, 2009, working paper.


b. **Common-Value Auctions**


10. **Financial Markets**

a. **Double Auction and Call Market**


b. **Bubbles in Financial Markets**

*Holt, chapter 11.


c. **Prediction Markets**

*Holt, chapter 34.


**PART II: FIELD EXPERIMENTS (MICHAL BAUER)**

Outline of the “field” part of the course.

- Self-control, status quo bias and deadlines
- Commitment devices
- Determinants of time discounting
- Reciprocity (gift-exchange)
- Incentives and economic behavior
- Social preferences: universal or responding to circumstances?
- Roots of social preferences: developmental psychology
- Discrimination: preference-based or statistical?
- Alternative approaches to discrimination
- Adverse selection and moral hazard
- Sunk costs fallacy and the role of prices in social programs

**Class readings** for this part will be based almost entirely on individual articles. A useful overview of some of the topics is:
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1. **Self-control, status quo bias and deadlines**


2. **Commitment devices**


3. **Determinants of time discounting**


4. **Reciprocity (gift-exchange)**


5. **Incentives and economic behavior**


6. Social preferences: universal or responding to circumstances?


7. Roots of social preferences: developmental psychology


8. Discrimination: preference-based or statistical?


Ahmed, A. M, L. Andersson, and M. Hammarstedt. n.d. “Can discrimination in the housing market be reduced by increasing the information about the applicants?.”


9. **Alternative approaches to discrimination**


10. **Adverse selection and moral hazard**


11. **Sunk costs fallacy and the role of prices in social programs**
