

Res Ec 462 – Experimental Economics
Spring 2008

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Course Time: TuTh 2:30 - 3:45 PM
Location: Chenoweth 113
Stockbridge 301
Office hours: By appointment

Course Web Page: <http://courses.umass.edu/resec462/>

(Note that the links on the web page are case sensitive. Password for protected areas will be given in class).

Course Objectives

The purpose of this class is to introduce the methodology of experimental economics and what we have learned from the application of these techniques. Economics is fundamentally the study of how individuals, firms and governments allocate scarce resources. This involves decision making which is the focus of experimental economics. The techniques of Experimental Economics are used for a myriad of purposes. Roth (1995) in the introduction to the *Handbook of Experimental Economics* categorizes these as “Speaking to Theorists”, “Searching for Facts”, and “Whispering in the Ears of Princes” (p. 22). We will focus on “Speaking to Theorists” – how the decision making of real economic agents relates to theory and the implications for public policy “Whispering in the Ears of Princes”.

Textbooks

The course material will be drawn from a variety of sources. Charles A. Holt’s *Markets, Games, & Strategic Behavior* (2007) will be the primary text. There are three other text books that I would recommend particularly for students who intend to run experiments as part of a Master’s or PhD. Colin Camerer’s *Behavioral Game Theory* (2003), Kagel and Roth’s *The Handbook of Experimental Economics* and Friedman and Sunder’s *Experimental Methods* (1994).

Grading

There will be a midterm exam a number of problem sets and a final exam. Below is a breakdown of how your grade will be determined:

Midterm 1 Grade	25%
Midterm 2 Grade	25%
Final Exam	25%
Participation/Learning Journal	25%

Minimum grade cutoffs: 95=A; 85=A-; 80=B+; 75=B; 70=B-; 65=C+; 60=C; <60=F.

Participation

Please notice that the weight on participation is the same as the weight for the midterms and final. This is to emphasize the importance of participation in this course. The Tuesday lectures will typically take place in the experimental economics lab (STK 301) and will involve your participation in various experiments. Your participation in these sessions is fundamental to your understanding of the material and your impressions of the experiment will be a vital part of the discussions in the Thursday meetings. The participation mark is both for showing up (on time)

and participating in the lab sessions as well as participating in classroom discussions. In addition you will be required to keep a journal of your experiences in the lab. The entry for each lab will be due at the beginning of the Thursday class following the lab. This journal entry is to describe what you thought about the experiment and discussion of why you made the choices you did after completing the instructions, during the actual rounds of the experiments and then after the experiment was completed and you have had some time to think about it and read the chapter. The reason for this is that standard behavior in many of the experiments we will conduct seems irrational once we consider the theory underlying the experiment. In general experimentalists believe that people are not behaving irrationally but rather the model is missing something. Keeping track of your experience and understanding will help us to discuss why the results from experimental sessions differ from the predictions of theory.

Cheating

Please don't. Anyone caught cheating will receive an F for the course, and I will follow university procedures to pursue the matter to the fullest extent possible. The university has clear guidelines as to what constitutes academic honesty. It is your responsibility to read and understand the University's Academic Honesty Policy, which can be found at http://www.umass.edu/dean_students/rights/acad_honest.htm.

Also, remember that plagiarism includes not only copying someone else's *words* verbatim without appropriate citation, but also copying someone else's *ideas* and presenting them as your own. Again, if you are unsure, ask.

Course Outline – This Calendar is preliminary and is subject to change as we progress through the course.

Date	Topics	Chapters	Notes
Tuesday Jan 28	Introduction: Decisions Game Theory and Market Equilibria	Chapter 1	
Thursday Jan 31	Pit Market		Classroom
Tue Feb 5	Simple Games: Prisoner's Dilemma, Coordination, Guessing		Lab (Stockbridge 301)
Thur Feb 6	Discussion of Pit Market and Simple Games	Chapters 2 & 3	Classroom
Tue Feb 12	Randomization Matching Pennies, BoS, Multi-Stage Games	Lab (Stockbridge 301)	
Thur Feb 14	Discussion	Chapters 5, 23	Classroom
Tues Feb 19	No Class (Monday Class Schedule from Presidents Day)		
Thurs Feb 21	MIDTERM 1	Chapters 1-5	Classroom
Tues Feb 26	Markets: Monopoly and Cournot		Lab (Stockbridge 301)
Thurs Feb 28	Discussion	Chapters 6	Classroom

Tues March 4	Ultimatum Bargaining		Lab (Stockbridge 301)
Thurs March 6	Discussion	Chapters 12	Classroom
Tues Mar 11	Trust, Reciprocity and Principal-Agent Games		Lab (Stockbridge 301)
Thurs Mar 13	Discussion	Chapters 13	Classroom
Tues Mar 18	BREAK		
Thurs Mar 20	BREAK		
Tue Mar 25	Voluntary Contributions		Lab (Stockbridge 301)
Thurs Mar 27	Discussion	Chapters 14	Classroom
Tue April 1	Discussion	Chapters 1-14	Classroom
Thurs April 3	MIDTERM 2		
Tue Apr 8	Externalities, Congestion and Common Pool Resources		Lab (Stockbridge 301)
Thurs Apr 10	Discussion	Chapter 16	Classroom
Tue Apr 15	Common-Value Auctions- The Winner's Curse		Lab (Stockbridge 301)
Thurs Apr 17	Discussion	Chapter 21	Classroom
Tue Apr 22	Patriots' Day Holiday		Lab (Stockbridge 301)
Thur Apr 24	Discussion		Classroom
Tue Apr 29	Risk and Decision Making (Lottery Choices) Lottery Choice Anomalies, Bayes Rule		Lab (Stockbridge 301)
Thur May 1	Discussion	Chapter 4, 28, 30	Classroom
Tue May 6	TBA		Lab (Stockbridge 301)
Thur May 8	TBA		Classroom
Tue May 13	Review and Wrap-Up		Classroom
			Classroom
Date	Topics	Chapters	Notes