

# Experimental Economics

Eco 346  
Spring 2007

---

**Professor:** Li Qi

**Office:** Buttrick Hall G29A

**Phone:** 404-471-5182

**E-mail:** lqi@agnesscott.edu

**Web site:** Blackboard

**Office Hours:** Tuesdays and Thursdays 10:00 am to 11:00 am  
Or by appointment

---

◆ **Course objectives:** This course will be an introduction to experimental and behavior economics, its methods, and some of the major subject areas that have been addressed by laboratory experiments. Students will become familiar with the methodology used in experimental economics, and will participate in and conduct experiments in bargaining, auction markets, asset markets, information asymmetry, behavioral game theory and other economic situations.

◆ **Lectures:** Mondays and Wednesdays 1 pm to 2:15 pm at Science Building 112W

◆ **Textbooks:** Markets, Games, and Strategic Behavior: Recipes for Interactive Learning, by Charles Holt.

◆ **Prerequisite:** Eco 101 and Eco 102; Knowledge of Eco 306 Microeconomics will be helpful but it is not required.

◆ **Homework assignments and homework policy:** The homework problems are designed to help you learn the material. Some of the problems assigned to your homework will be discussed in lecture. You are strongly encouraged to complete all assignments as they will help you master the class material.

- To get full credit for your homework, you must hand it in on time, that is, at the end of the class on the due date.
- Homework handed in after the end of class on the due date is considered late homework. If you are late, you can still hand it in within 3 days, but you will only get half of the credit. After three days you will get no credit.
- Once you get your homework back, you have two weeks to request grade revision. Keep your homework on a safe place, since you may need it later in case of any grade clarification.

- Students requesting revision of a homework grade must submit their claim in writing, not later than two weeks after the grades have been distributed. Please include a brief argument/reasoning for grade change. For example, if you feel that your answers are correct but you did not get the credit, list reasons or evidence to support your argument.

#### ◆ **Exams and Exam Policy:**

There will be three exams. Only the best 2 out of 3 exams will be counted toward the final grade of the course. Check dates below in the course outline.

- Since you are already given an exam that you can drop for the final course grade, **no make-up exams will be made.**

- Only in very exceptional cases, students may be excused from missing an exam. Enough written evidence of the calamity must be provided. I will give make-up exams only when the conditions just specified are met.

- Students requesting revision of an exam grade must submit their claim in writing, no later than two weeks after the exam grades have been distributed. Please include a brief argument/reasoning for grade change. For example, if you feel that your answers are correct but you did not get the credit, list reasons or evidence to support your argument

◆ **Attendance:** Attendance and class participation are important (and fun!) for this course. For the experiments to be successful, we need everyone to show up on time. Therefore, attendance, preparation and promptness at all sessions are mandatory. If you cannot make to one of the classes, please inform the instructor as early as you can so that the group conducting the experiments can be prepared ahead of time. Attendance and participation for classroom experiments will be checked randomly and frequently.

You are allowed to drop **two** no-show records at the end of the semester, but you will lose the attendance and participation credit for this class by **10** per cent for each additional no-show record. Since you are given the chance to drop two no-show records, no additional excuses will be granted for missing classes. Only in very exceptional cases (such as severe illness or family emergencies), students may be allowed to drop additional no-show records. Enough written evidence of the calamity must be provided. Late attendance will count only if you arrive within 20 minutes of the class start time.

◆ **Experimental Project:** Once class gets started and you have had some experience with economic experiments, you will be asked to work on a project of your choice. By Feb. 5, please finalize the topic of your choice and inform the instructor.

The project consists of the following tasks:

- 1) You will be responsible for conducting one experiment. You will conduct the entire experiment. You will have to prepare instructions, prepare any materials needed for the experiment, explain the instructions to the subjects, run the experiment, keep records, etc. You will need to meet with me to obtain general

instructions and I will help you to set up the experiment preparation work. I expect you to meet with me at least 48 hours before your scheduled experiment to make sure that you are on track, read over your instructions, prepare materials and go over any problems you may have.

I will provide a survey/questionnaire sheet for each project for you to hand out to the subjects after the experiment is finished. Subjects will follow instructions on the survey to evaluate the implementation of the experiment. You can also add your own questions for your research purpose at the end of the standard survey/questionnaire.

2) After conducting the experiment and collecting the experimental records, you will write an experimental report and make a 15-minute presentation in the following class. This presentation will include two parts: demonstrating the experimental results to the class and making a theoretical analysis based on the experimental results.

For the experimental report, you can write as many pages as you wish, but you must follow the following format: 8"x11" paper, double-spaced, margins of 1 inch on each side, maximum font of 12 pt., and minimum font of 11 pt. Do not forget to write your name. Please staple the pages you hand in.

3) Revise the analysis and report from 2) after the corresponding lecture/discussion on the topic of your choice in class. Add an introduction section, a literature review section which must include at least one relevant published academic study, as well as a critique of your experiment (i.e., what went well, what went poorly, how would you change things if you had them to do over) in addition to the two elements in 2).

Follow the same format requirements in 2) and the length of your final report from 3) should be 8-10 pages.

The grading criteria for your final report are posted on Blackboard. I will focus on these 5 areas: clear and thoughtful thesis, strength of argument, organization and transitions, quality of writing, introduction and conclusion. Specific grading criteria for each category are available on the course website.

4) Make a 15-minute presentation of your final paper from 3) in class on Apr. 25.

#### ◆Grading:

The final grade will be a weighted average as follows:

Two best exams (total 45%)

Homework assignments 10%

Project: conduct the experiment: 10% (based on subjects and instructor's evaluation)

Project: experimental report and class presentation 10%

Project: final version 10%

Attendance and participation 15%

The course letter grades are determined as follows:

96 – 100	A +
92 – 95.99	A
90 – 91.99	A –
86 – 89.99	B +
82 – 85.99	B
80 – 81.99	B –
76 – 79.99	C +
72 – 75.99	C
70 – 71.99	C –
66 – 69.99	D +
62 – 65.99	D
60 – 61.99	D –
< 60	F

◆ **“Earnings” of Classroom Experiments**

Each week, the instructor will pick one person at random *ex post* of classroom experiments and pay a small fraction of earnings.

## Reading List and Course Outline (tentative)

Week #		<u>Topic</u>	Readings:	Problem Sets:	
			<u>Holt</u>	<u>Posted</u>	<u>Due</u>
1	Jan 18	No class			
2	Jan 22	Course Introduction and Introduction to Experimental Economics <a href="#">A simple game: Prisoner's Dilemma Game or Supply and Demand</a>	Chapter 1		
	Jan 24	Introduction to Experimental Economics Chapter 3: Some Simple Games <a href="#">Guessing Game</a>	Chapters 1, 3		
3	Jan 29	Chapter 3: Some Simple Games <a href="#">Lottery Game</a>	Chapter 3	HW1	
	Jan 31	Chapter 4: Risk and Decision Making <a href="#">Video: Deal or No Deal</a> <a href="#">Probability Matching Game</a>	Chapter 4	HW2	HW2
4	Feb 5	Chapter 4: Risk and Decision Making Chapter 27: Probability Matching <a href="#">The lottery choice anomaly game</a> Project Topic Selection Due	Chapter 27	HW3	HW2
	Feb 7	Chapter 28: Lottery Choice Anomalies <a href="#">Search Cost Game</a>	Chapter 28	HW4	HW3
5	Feb 12	Project Design			
	Feb 14	Chapter 29: ISO (In Search Of...)	Chapter 29		HW4
6	Feb 19	Review of Exam 1			
	Feb 21	<b>Exam 1</b>	Chapters 1, 3, 4, 27, 28, 29		
7	Feb 26	Experimental demonstration to econ 102 on Monopoly/Duopoly			

	Feb 28	Experimental demonstration to econ 102 on Monopoly/Duopoly			
8	Mar 5	Game of sequential moves (multi-stage games) Chapter 23: Multi-Stage Games	Chapter 23	HW5	
	Mar 7	Project Design (no class)			HW5
9	Mar 12	Spring Break			
9	Mar 14	Spring Break			
10	Mar 19	Traveler's Dilemma Game Chapter 25: The Traveler's Dilemma Lemon Market Game	Chapter 25	HW6	
	Mar 21	Chapter 10: Market Failure Due to Unraveling: Lemons and Matching Markets Private Value Auction Game	Chapter 10	HW7	HW6
11	Mar 26	Chapter 19: Private Value Auctions Take Over Game	Chapter 19	HW8	HW7
	Mar 28	Chapter 20: Take Over Game Winner's Curse Game	Chapter 20	HW9	HW8
12	Apr 2	Chapter 21: Common-Value Auctions and the Winner's Curse Ultimatum Game	Chapter 21	HW10	HW9
	Apr 4	Chapter 12: Ultimatum Bargaining Principal-Agent Game	Chapter 12	HW11	HW10
13	Apr 9	Chapter 13: Trust, Reciprocity, and Principal-Agent Game	Chapter 13		HW11
	Apr 11	Review for Exam 2			
14	Apr 16	<b>Exam 2</b>	Chapters 23, 25, 10, 19, 20, 21, 12, 13		
	Apr 18	Play or Keep Game Chapter 14: Voluntary Contributions Volunteer Dilemma Game	Chapter 14		

