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Topics in Behavioral and Experimental Economics

Syllabus

Description. The course pursues three main goals: (A) I will introduce you to the research frontier in behavioral and experimental economics. What are the main historical milestones? What have been the hot topics of recent years? In which direction is the literature currently moving? (B) You will learn to recognize some essential features of good (and not so good) behavioral/experimental papers and be able to apply that knowledge to your own work. (C) We will practice the essential skill of pitching one's own experimental/behavioral research effectively to others, be it at a conference, over lunch/dinner/coffee, in an interview slot with an invited seminar speaker, in a taxi, etc.

Level. Phd

Prerequisites. This course is aimed at all PhD students who (plan to) work experimentally and/or whose research focusses on understanding human behavior, from a variety of backgrounds (economics, management, psychology, etc.). Previous knowledge of economics, game theory and experimental methods will be helpful but not indispensable.

Educational Method. Seminar

Language. English

Assessment. You will be expected to actively contribute to the course, in particular to (A) the presentation and critical discussion of extant literature, (B) the classroom experiment, (C) the research pitch. See below for details.

Application. Email to m.kurschilgen@tum.de (until June 1). Please write *Topics ExpEcon* as email subject.

Capacity. 16 participants

(A) Paper Presentations: Author vs. Referee

We will be reading several influential papers of experimental/behavioral economics. For each paper, one person will have the role of the **author**, whose task is to present the paper(s) in a convincing fashion, as if it was his/her own. And another person will have the role of a **referee**, who finds the weak spots and suggests ways of improving the paper. The author should aim for a 30-45 minutes presentation (.ppt or .pdf), the referee for a 20-30 minutes presentation (.ppt or .pdf). In particular, try to tackle the following issues (some of which are, of course, more relevant to the author and others more to the referee):

(1) **Motivation**:
   a. What is the broad topic of the paper? Is there a real-world example to illustrate it? Does the example fit?
   b. What have been important earlier findings which the authors build on?
   c. What is the research question? Is the question new? Is it important? Is it not trivial?

(2) **Experimental Design**:
   a. How does the research question translate into the experimental design?
   b. What is the experimental paradigm chosen? How does the paradigm fit to the research question?
      i) field vs. lab[1]
      ii) subject pool characteristics
      iii) strategic game or choice task
      iv) time horizon (one-shot, repeated, etc.)
      v) matching protocol (partner, stranger, etc.)
      vi) elicitation method (direct response, strategy method, role uncertainty, etc.)
   c. What are the experimental treatments? What exactly is varied between each of the treatments? Are the treatments, in principle, able to answer the research question?
      i) between- or within-subjects design?
      ii) order reversal?
   d. Which type of data will be generated by the experiment?
      i) What are the main outcome variables?
      ii) Are they binary, discrete, continuous, censored?
      iii) What is an independent observation in the experiment?
      iv) What are supplementary variables that may give some additional information of interest, e.g. about differing treatment effects for certain subgroups (e.g. gender, age, etc.)?
   e. Can you think of reasonable (maybe even superior) alternatives to the design chosen by the authors?

(3) **Hypotheses**:
   a. Which predictions do the authors formulate?[2]
   b. How do they relate to the treatments?
   c. What are the Nash equilibria?
   d. Can you think of alternative theoretical predictions?

(4) **Results**:
   a. What are the main findings of the paper?
   b. How do the results answer the research question?
   c. Robustness checks?
   d. Possible confounds?

[1] See the taxonomy of Harrison and List (2004).

[2] Some papers have a more formal hypotheses section than others. Do not despair if you struggle with the math. Try to understand the intuition and convey that to your fellow PhD colleagues.

(B) Classroom Experiment

(1) Conduct a simple classroom experiment at the beginning of the session:

I want you to design a simple classroom experiment. For inspiration, you can take one of the experiments presented in the literature but feel free to run a different experiment. Your fellow classmates (and myself) will be your experimental subjects, so the sample size will be small but that is not important. Importantly, you should randomly allocate the subjects to two different treatments. Think about (a) between-subject vs. within-subject treatment variation, (b) partner matching vs. stranger matching, (c) one-shot vs. repeated (d) direct response vs. strategy method, etc. You may need to hand out experimental instructions (and possibly control questions) to your subjects. Aim for 20-30 minutes.

(2) Present graphically the results from (1) at the end of the session:

Which research question did you test? Which variable(s) did you measure to provide evidence? Which type of variable is it (e.g. binary, discrete, continuous, censored)? Which results did you expect based on the current state of the literature? What were the experimental results of this classroom experiment? For a swift and efficient evaluation of the results from (1), I recommend you to have your graphs already programmed with mock numbers (e.g. in Excel) so that the only thing you need to do is plugging in the real numbers from (1). You will have time to do so during a small break. Aim for 20-30 minutes.

(C) Research Pitch

At any point during the course, you should be prepared to give (1) a 30-second **elevator pitch**, (2) a 3-minute **cocktail party pitch**, and (3) a 10-minute **job interview pitch** of one of your own papers (or research proposals). Note, that you cannot use any media for this type of pitch (i.e. no Powerpoint!). The only permitted “media" are on-the-spot drawings on a board, a flip-chart, or a Bierdeckel. The guideline from (A) is useful to identify the important aspects to be covered in your pitch.

Dates.

When?		Where?	What?

June 18	13:30 – 18:30	Room 2403	▪ Elevator Pitches (30s)
			▪ Intro Lecture
			▪ Formation of two teams:
			  ○ Team *Klee*
			  ○ Team *Kandinsky*

June 25	13:30 – 18:30	Room 2403	▪ Job Market Pitch (10m): *Kandinsky*
			▪ **Paper 1**:
			  ○ Author: *Klee*
			  ○ Referee: *Kandinsky*
			▪ Job Market Pitch (10m): *Klee*
			▪ **Papers 2, 3, 4**:
			  ○ Author: *Kandinsky*
			  ○ Referee: *Klee*

July 2	13:30 – 18:30	Room 2403	▪ Job Market Pitch (10m): *Klee*
			▪ **Paper 5**:
			  ○ Author: *Kandinsky*
			  ○ Referee: *Klee*
			▪ Job Market Pitch (10m): *Kandinsky*
			▪ **Paper 6**:
			  ○ Author: *Klee*
			  ○ Referee: *Kandinsky*

July 9	13:30 – 18:30	Room 2403	▪ Classroom Experiment: *Klee*
			▪ Cocktail Party Pitch (3m): *Kandinsky*
			▪ **Papers 7, 8**:
			  ○ Author: *Klee*
			  ○ Referee: *Kandinsky*
			▪ Cocktail Party Pitch (3m): *Klee*
			▪ **Paper 9**:
			  ○ Author: *Kandinsky*
			  ○ Referee: *Klee*
			▪ Results Classroom Experiment: *Klee*

July 23	13:30 – 18:30	Room 2403	▪ Classroom Experiment: *Kandinsky*
			▪ Cocktail Party Pitch (3m): *Klee*
			▪ **Paper 10**:
			  ○ Author: *Kandinsky*
			  ○ Referee: *Klee*
			▪ Cocktail Party Pitch (3m): *Kandinsky*
			▪ **Paper 11**:
			  ○ Author: *Klee*
			  ○ Referee: *Kandinsky*
			▪ Results Classroom Experiment: *Kandinsky*
			▪ Wrap-Up
			▪ Course Evaluation

Literature

A. Main Readings

1. Charness, G. (2000). Self-serving cheap talk: A test of Aumann's conjecture. *Games and Economic Behavior*, 33(2), 177-194.
2. Fehr, E., & Gächter, S. (2000). Cooperation and Punishment in Public Goods Experiments. *American Economic Review*, 90(4), 980-994.
3. Gürerk, Ö., Irlenbusch, B., & Rockenbach, B. (2006). The Competitive Advantage of Sanctioning Institutions. *Science*, 312, 108-111.
4. Herrmann, B., Thöni, C., & Gächter, S. (2008). Antisocial punishment across societies. *Science*, 319, 1362-1367.
5. Charness, G., & Rabin, M. (2002). Understanding social preferences with simple tests. *The Quarterly Journal of Economics*, 117(3), 817-869.
6. Chen, Y., & Li, S. X. (2009). Group identity and social preferences. *American Economic Review*, 99(1), 431-57.
7. Charness, G., & Dufwenberg, M. (2006). Promises and partnership. *Econometrica*, 74(6), 1579-1601.
8. Vanberg, C. (2008). Why do people keep their promises? An experimental test of two explanations. *Econometrica*, 76(6), 1467-1480.
9. Krupka, E. L., & Weber, R. A. (2013). Identifying social norms using coordination games: Why does dictator game sharing vary?. *Journal of the European Economic Association*, 11(3), 495-524.
10. Dana, J., Weber, R. A., & Kuang, J. X. (2007). Exploiting moral wiggle room: experiments demonstrating an illusory preference for fairness. *Economic Theory*, 33(1), 67-80.
11. Falk, A., & Szech, N. (2013). Morals and markets. *Science*, 340(6133), 707-711.

B. General Readings: Game Theory

12. Osborne, M. J. (2004). *An Introduction to Game Theory*. New York: Oxford University Press.
13. Colman, A. M. (2013). *Game Theory and its Applications: In the Social and Biological Sciences*. Psychology Press.
14. Rasmusen, E., & Blackwell B. (1994). *Games and Information*. Cambridge, MA.
15. Lambertini, L. (2011). *Game Theory in the Social Sciences: A Reader-Friendly Guide*. Taylor & Francis.

C. General Readings: Experimental Economics

16. Falk, A., & Heckman, J. J. (2009). Lab Experiments are a Major Source of Knowledge in the Social Sciences. *Science*, 326(5952), 535-538.
17. Harrison, G. W., & List, J. A. (2004). Field experiments. *Journal of Economic literature*, *42*(4), 1009-1055
18. Levitt, S. D., & List, J. A. (2009). Field experiments in economics: The past, the present, and the future. *European Economic Review*, 53(1), 1-18.
19. Friedman, D., & Sunder, S. (1994). *Experimental Methods: A Primer for Economists*. Cambridge, UK: Cambridge University Press.
20. Camerer, C. (2003). *Behavioral Game Theory: Experiments in Strategic Interaction*. Princeton, NJ: Princeton University Press.

21. Kagel, J. H., Roth, A. E., & Hey, J. D. (1995). *The Handbook of Experimental Economics*. Princeton, NJ: Princeton University Press.

D. General Readings: Behavioral Economics

22. Kahneman, D. (2003). Maps of bounded rationality: Psychology for behavioral economics. *American Economic Review*, *93*(5), 1449-1475.

23. Rabin, M. (1998). Psychology and economics. *Journal of Economic Literature*, *36*(1), 11-46.

24. Kahneman D. and A. Tversky (Eds.) (2000) *Choices, Values and Frames*. New York: Cambridge University Press and the Russell Sage Foundation.

25. Camerer, C. F., Loewenstein, G., & Rabin, M. (Eds.). (2011). *Advances in Behavioral Economics*. Princeton university press.