

ECON 635
Experimental Economics
Syllabus - Fall 2022

The course is planned to be face-to-face this semester. In special circumstances in which the instructor is unable to attend classes in-person, the instructor will adapt learning opportunities to the extent possible (online sessions, recorded lectures, etc.). The contingency plans will be engaged if the Prince George's County Health Department and/or University alter its COVID-19 guidelines in ways that impact in-person instruction. COVID link to University Policies: www.umd.edu/4Maryland

UMD's policies on graduate courses and graduate student rights and responsibilities can be found here: [Course Related Policies | The University of Maryland Graduate School \(umd.edu\)](http://www.umd.edu/course-related-policies)

If you are sick, tested positive for Covid-19, or think you were in contact with someone who has Covid-19, please stay home and let me know for appropriate accommodations for the missed classes.

Course Description and Objectives: This course will be an introduction to the methodology of experimental economics and its application to specific topics, such as decision making under uncertainty, auctions and public goods. In addition to learning about laboratory and field experiments, this course will also provide an introduction to the behavioral economics. An effort will be made to concentrate on *series* of experiments, in order to see how experiments build on one another and allow researchers with different theoretical dispositions to narrow the range of potential disagreement.

By the end of the semester, students will be able to:

- Explain the major issues involved in design and interpretation of economic experiments
- Demonstrate knowledge of how experimental economics has contributed to the economics literature in specific areas
- Explain the differences between behavioral economics and the traditional methods of analysis
- Write and present a literature review relevant to a specific experiment

The course will include reading and discussion of the economics literature on experiments. Students will be guided through the design, conduct, and analysis of experiments. Students will also be given detailed guidance on how to perform and present a literature review as part of a research project.

Instructors' Contact Information and Class Logistics:

Office: Tydings 4101B

Email: ozbay@umd.edu

Office Hours: TH 12:30-1:30pm (online or in person: **by appointment only**)

Class Lectures: Tuesdays and Thursdays, 2:00 – 3:15pm TYD 1108

Class Labs: some lecture periods will be spent conducting experiments in the Economics Department's facilities located in Tydings 4104.

Course Website: If you are registered for this course, you should use your directory ID and password to access www.elms.umd.edu. Copies of this syllabus, your grades, and other relevant documents will be made available through the course website.

Email: The University has adopted email as the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via <http://www.testudo.umd.edu/apps/saddr/>

Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines.

You are encouraged to contact me by email, and I will do my best to respond within 24 hours. PLEASE include **ECON635** in the subject line, so that I can quickly distinguish your message from spam or other less important matters. PLEASE also include your name and any previous messages we've exchanged within every message you send to me.

Expectations of Students:

You must participate in class discussions and in the lab experiments in order to succeed in the class. You are expected to read assigned journal articles and other materials (see list and schedule below) **before** we discuss them in class. If you find that you can't follow the class discussions or understand the readings we have covered, please visit my office hours or make an appointment. If you anticipate or experience any problem fulfilling the requirements of the course, you must inform me as soon as possible to maximize the possibility that I can help you. Contacting me about such problems at the end of the term when your grade is lower than what you would like is definitely too late.

I look forward to receiving your feedback on the course at the end of the semester, so please use the University's on-line course evaluation system at <https://www.courseevalum.umd.edu/> during the last two weeks of the semester.

Please contribute to a positive learning environment. We can make the most of this opportunity if you are willing to work at it. Students are expected to treat each other and me with courtesy and respect. Disruptive behavior will be referred to the Office of Student Conduct or the Campus Police.

Academic Integrity:

The University of Maryland, College Park has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Academic integrity is particularly important this year with remote learning and taking online exams. I have high expectations from each one of you. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu

Accessibility and Disability Service:

I will make every effort to accommodate students who are registered with the Accessibility and Disability Service (ADS) Office. <https://adsonline.umd.edu/>

Counseling Center :

Sometimes graduate students experience academic, personal, and/or emotional distress. The Counseling Center in Shoemaker Hall provides comprehensive support services that promote personal, social, and academic success of UMD students. The cost of these services is covered by fees you already paid when you registered, so there is no additional charge if you use these valuable resources. Proactively explore the range of services available including the Counseling Service, the Disability Support Service, the Learning Assistance Service, and the Testing Office, all described at <http://www.counseling.umd.edu/>

Grades and Assignments:

In-class Participation:

30% of your grade in this class will be based on how prepared you are for class and the extent to which you participate in class discussions—that is, the quality of your questions, answers, commentary, and criticisms in the classroom. Short class responses to key questions will be collected in nearly every class meeting, as they will give you opportunities to practice explaining the major points developed in the readings.

Literature Review: 35%

Student Presentations (Related Literature):35%

Department of Economics' policy on grading requires instructors to use the grading system announced at the beginning of the semester in all cases and with no exceptions. There will be no opportunities for extra credit after the semester ends.

Course Readings

[Preference & Choice]

- Becker, G.M., DeGroot, M.H. and Marschak, J. (1964). "Measuring Utility by a Single-Response Sequential Method," *Behavioral Science*, 9, 226-232.
- Kahneman, D., Knetsch, J. L., and Thaler, R. H. (1990), "Experimental Tests of the Endowment Effect and the Coase Theorem," *Journal of Political Economy*, 98, 1325-1348.
- Knetsch, J. L. (1989). "The endowment effect and evidence of nonreversible indifference curves". *American Economic Review*, 79, 1277–1284.
- Knetsch, J. L., and Sinden, J. A. (1984). "Willingness to Pay and Compensation Demanded: Experimental Evidence of an Unexpected Disparity in Measures of Value," *Quarterly Journal of Economics*, 99, 507-521.
- Karni, E. and Safra, Z.: 1987, "'Preference Reversal' and the Observability of Preferences by Experimental Methods', *Econometrica* 55, 675-685.
- Holt, C. A. and S. K. Laury (2002). Risk aversion and incentive effects. *The American Economic Review* 92 (5), 1644–1655.
- Andersen, S., Harrison, G.W., Lau, M.I., & Rutstrom, E.E. (2006). "Elicitation using multiple price list formats." *Experimental Economics*, 9(4), 383–405.

[Rationality & Multiple Equilibria]

- Nagel, R. (1995). "Unraveling in Guessing Games: An Experimental Study," *American Economic Review* 85(5), 1313-1326.
- Grosskopf, B., and R. Nagel (2008). "Rational Reasoning or Adaptive Behavior? Evidence from Two-Person Beauty Contest Games". *Games and Economic Behavior*, 62(1), 93-99.
- Ho, T-H., Camerer, C., and Weigelt, K. (1998) "Iterated Dominance and Iterated Best Response in Experimental P-Beauty Contests," *The American Economic Review*, 88 (1998), 947-969.
- Kocher MG, and Sutter M (2005). "The decision maker matters: Individual versus group behaviour in experimental beauty contest games," *Economic Journal*, 115, 200-223.

- Slonim, R. (2005) "Competing Against Experienced and Inexperienced Players," *Experimental Economics*, 55-75.
- Van Huyck, Battalio and Beil (1991). "Strategic Uncertainty, Equilibrium Selection, and Coordination Failure in Average Opinion Games," *Quarterly Journal of Economics*, 106(3), 885-911.
- Van Huyck, Battalio and Beil (1990). "Tacit Coordination Games, Strategic Uncertainty, and Coordination Failure," *American Economic Review*, 234-248.

[Other Regarding Preferences]

- Forsythe, R., J.L. Horowitz, N. E. Savin, and M. Sefton (1994). Fairness in Simple Bargaining Experiments, *Games and Economic Behavior* 6, 347–69.
- Hoffman, E., McCabe, K., Shachat, K. and V. L. Smith (1994): "Preferences, Property Rights, and Anonymity in Bargaining Games," *Games and Economic Behavior* 7, 346-380.
- Hoffman, E., McCabe, K. and V. L. Smith (1996): "Social Distance and Other-regarding Behavior in Dictator Games," *American Economic Review* 86, 653-690.
- Andreoni, J. and B. D. Bernheim. (2009). "Social image and the 50-50 norm: A theoretical and experimental analysis of audience effects." *Econometrica*, 77(5): 1607-1636.
- Brock, M., A. Lange and E. Ozbay, 2013. "Dictating Risk - Experimental Evidence on Giving in Risky Environments" *American Economic Review*, 103(1), 415-437.
- Fehr, E., Kirchsteiger, G., Riedl, A., 1993. Does Fairness Prevent Market Clearing? An Experimental Investigation. *Quarterly Journal of Economics* 108, 437-460.
- Filiz-Ozbay, E., J. C. Ham., H. Kagel and E. Ozbay (2017) "The Role of Cognitive Ability, Personality Traits and Gender in Gift Exchange Outcomes" *Experimental Economics*

[Public Goods]

- Barron, Greg, & Yechiam, Eldad (2002). "Private Email requests and the diffusion of responsibility." *Computers In Human Behavior*. 18(5), 507-520.
- Ledyard, John O. (1995). "Public Goods: A Survey of Experimental Research." In *A Handbook of Experimental Economics*. ed. A. Roth and J. Kagel, 111-194. Princeton: Princeton University Press.

- Fehr, Ernst and Simon Gächter (2000) "Cooperation and Punishment in Public Goods Experiments", *American Economic Review* 90(4), 980-994.
- Fehr, Ernst and Simon Gächter (2002) "Altruistic punishment in humans." *Nature* 415, 10 137-140.
- Herrmann, Benedikt, Christian Thoni, and Simon Gächter (2008). "Antisocial Punishment Across Societies" *Science* 319(7), 1362-1367.
- Isaac, R. Mark, and James M. Walker (1988). "Group Size Hypotheses of Public Goods Provision: The Voluntary Contributions Mechanism." *Quarterly Journal of Economics*, 103(February): 179-200.
- Filiz Ozbay, Emel, and Erkut Ozbay. 2014. "Social Image in Public Goods Provision with Real Effort," *Experimental Economics*, 17 (2), 200-214.

[Auctions]

- Kagel, J. 1995. "Auctions: A survey of experimental research." In *Handbook of Experimental Game Theory*, ed. J. Kagel and A. Roth. Princeton: Princeton University Press.
- Kagel, John H., and Dan Levin. 1993. "Independent Private Value Auctions: Bidder Behavior in First-, Second- and Third-Price Auctions with Varying Number of Bidders." *Economic Journal*, 103: 868-879.
- Peter Cramton, Emel Filiz Ozbay, Erkut Ozbay and Pacharasut Sujarittanonta. "Discrete Clock Auctions: An Experimental Study".
- Filiz Ozbay, Emel, and Erkut Ozbay 2007. "Auctions with Anticipated Regret: Theory and Experiment." *American Economic Review*, 97(4): 1407-1418.
- Kagel, John H., and Dan Levin. 1986. "The Winner's Curse and Public Information in Common Value Auctions." *American Economic Review*, 76(5 Dec): 894-920.
- Filiz Ozbay, Emel, Kristian Lopez-Vargas, and Erkut Ozbay, 2015. "Multi-Object Auctions with Resale: Theory and Experiment," *Games and Economic Behavior*, 89, 1-26.

[Policy]:

- Chadd, Ian, Emel Filiz Ozbay and Erkut Ozbay (2017) “Cognitive Cost of Ignoring”
- Filiz Ozbay, Emel, Jonathan Guryan, Kyle Hyndman, Melissa Kearney and Erkut Ozbay. 2015 “Do Lottery Payments Induce Savings Behavior? Evidence from the Lab” “*Journal of Public Economics*,” 1-24
- Abraham, Katharine G., Emel Filiz-Ozbay, Erkut Y. Ozbay and Lesley J. Turner, 2017. “Behavioral Effects of Student Loan Repayment Plan Offerings on Borrowers’ Career Decisions”