

74

Code: ECON-414

Title: Experimental and Behavioral Economics

Credit Hours: 03

Prerequisite: Intermediate Microeconomics

Objectives:

To provide an overview of research in behavioral economics, with a particular focus on those areas in which behavioral economic models of individual decision-making are the most well-developed (specifically, social, risk, and time preferences); and to provide a comprehensive introduction to the empirical experimental literature focused on testing behavioral economic theories of individual choice.

Course Contents

Introduction to Basic Game Theory

Extensive Form Games, solution by backwards induction, Strategies Normal Form Games, Dominance, Nash Equilibrium, Dominance Solvable Games.

Why do we need Experiments?

Why do we need experiments? Experimental Methods: Advantages and Limitations. Different types of experiments

Altruism and Fairness: Ultimatum Game

Ultimatum Game: Theory and Results. What is altruism and Fairness? Dictator Game and Altruism

Public Good Game and Free-Riding

Public Good Game: theory and Practices, Free Riding and Voluntary Contribution Dilemma, Factors to Alleviate Free Riding

Experimental Labor Market

Employment Relations, Incentives and Performance, Market vs. Social exchanges

Trust, reciprocity, Incentives and Crowd-Out

Gift Exchange mechanism, Reciprocity and Trust, Incentives and internal and External motivation, Crowding out of internal motivation, Monetary and Non-monetary incentives

Bargaining and Auctions

Structured and unstructured Bargaining, Bilateral Bargaining: Ultimatum Game, Multilateral Bargaining: Auction

Social Norms and Economic Behavior

Social Norms, Role of expectations, Self Image

Recommended Books:

- Davis and Holt. Experimental Economics. Latest Edition.
- Durlauf and Blume. Behavioral and Experimental Economics. Latest Edition.

75

- Falk and Gächter. Experimental Labor market. Latest Edition.
- Angrist, Joshua, and Jörn-Steffen Pischke. (2008). Mostly Harmless Econometrics: An Empiricist's Companion. Princeton University Press.
- Gerber, Alan and Donald Green. (2012). Field Experiments. W. W. Norton & Company