

Course Code: ECON-431

Title: Experimental and Behavioral Economics

Credit Hours: 03

Prerequisite: Intermediate Microeconomics

Course Objectives:

Given the recent growth of interest in behavioral considerations, experiments are increasingly used in economics to study human behavior. Behavioral economists study models of human decision making and the interaction among such decision makers in games and markets. As behavioral economists aspire to construct "realistic" models, many of the models are inspired by Psychological and experimental studies. Students will also learn how to design experiments and interpret their results and will also overview some of the most important existing results.

Learning Outcomes:

By the completion of the course, students should be able to:

- Understand the concept of experimental economics and its pros and cons over other empirical analysis.
- Learn how behavioural economics is different from mainstream economics and the way.

Course Contents:

Why Experiments?	Brief history of experimental economics, experimental methods: advantages and disadvantages, some procedural and design considerations.
Game Theory	Extensive Form Games, solution by backwards induction, Strategies Normal Form Games, Dominance, Nash Equilibrium, Dominance Solvable Games.
Individual Preferences: Time and Risk	Lottery choice experiments, financial incentives and control for wealth, preference elicitations: problems and application, preference reversals, inducing risk preferences, information processing: Bayes Rule and Biases. <ul style="list-style-type: none">• Holt, C. and S. Laury (2002), "Risk Aversion and Incentive Effects," American Economic Review, 92(5), 1644-1655.
Dictator and Ultimatum Games	Ultimatum Game and Dictator game: basic results, Methodological variables, demographic variables culture. What is

	altruism and Fairness? Dictator Game and Altruism. Testing theories of altruism via Dictator and Prisoners' Dilemma game experiments; internal versus external validity.
Trust Games	Trust game: basic results, pure and impure altruism, trustworthiness vs. altruism and fairness, a complex omnibus game, multistage trust game, gift exchange in experimental labor market, inequality aversion theories, fairness equilibrium, extensive-form fairness equilibrium.
Coordination and public goods contribution	Public Good Game: theory and Practices, Free Riding and Voluntary Contribution Dilemma, Factors to Alleviate Free Riding, matching games, asymmetric players (Battle of Sexes: outside communication, evolution of meaning, external assignment), market entry games.
Bargaining and Auctions	Unstructured bargaining without side payments, bargaining over an externality, structured bargaining, auctions with fixed supply, first-price auctions with fixed supply.
Gender differences and Experimental Economics	<ul style="list-style-type: none"> • Dolan, Kathleen, and Kira Sanbonmatsu. "Candidate gender and experimental political science." <i>Cambridge handbook of experimental political science</i> 289 (2011). • Bellemare, Charles, Patrick Lepage, and Bruce Shearer. "Peer pressure, incentives, and gender: An experimental analysis of motivation in the workplace." <i>Labour Economics</i> 17.1 (2010): 276-283. • Chattopadhyay, Raghavendra, and Esther Duflo. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." <i>Econometrica</i> 72, no. 5 (2004): 1409-1443.

Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each groups of students to do a project designing their own research question and relevant experiment.

Evaluation Criteria:

Evaluation Method	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

Recommended Books:

- Camerer, Colin F. Behavioral game theory: Experiments in strategic interaction. Princeton university press, 2011.
- Davis, Douglas D., and Charles A. Holt. Experimental economics. Princeton university press, 1993.
- Durlauf and Blume. Behavioral and Experimental Economics. Latest Edition.
- Falk and Gächter. Experimental Labor market. Latest Edition.
- Gerber, Alan and Donald Green. (2012). Field Experiments. W. W. Norton & Company