

Experimental economics

Professors:

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ESCUELA DE VERANO 2015

Salón: ML-108A

Fechas: 13 al 24 de julio

Horario: 01:00 pm a 04:00 pm

OBJETIVE

This is a 10 day course in Experimental Economics. Most of the course will consist of lectures and your participation in a variety of classic experiments. Your assignment for the course will be a group project in which your assignment is to come up with an original idea for an experiment and present it to the class.

Prerequisite: Microeconomics at the undergraduate intermediate level and some basic game theory.

SYLLABUS

The course is divided into three parts. The first part, called *Classics*, focuses on the most influential experimental studies. These are the studies that form the basis of most current research. The second part, called *Current Developments*, is a series of lectures on topics that are current areas of very active research. The third part, called *Your Projects*, consists of presentations of your own ideas. The topics and reading list for each of the 10 class sessions is as given below:

Part I: Classics

Day 1: Early developments in experimental economics 1959 – 1980

- Smith. V (1962), “An Experimental Study of Competitive Market Behavior”, *Journal of Political Economy* 70(2), 111 – 137. ([Link](#))
- Plott C. and V. Smith (1978), “An Experimental Examination of Two Exchange Institutions”, *Review of Economic Studies* 45(1), 133 – 153. ([Link](#))
- Kahneman D. and A. Tversky (1979), “Prospect Theory: An Analysis of Decision Making Under Risk”, *Econometrica*, 263 – 291. ([Link](#))

Day 2: The big 80's, 1981 - 1989

- Binswanger, H. (1980), "Attitudes Toward Risk, Experimental Measurement in Rural India." *American Journal of Agricultural Economics*. 62, 395-407. ([Link](#))
- Thaler, R. (1981), “Some Empirical Evidence on Dynamic Inconsistency”, *Economics Letters* 8(3), 201-207 ([Link](#))
- Plott C. and S. Sunder (1982), “Efficiency of Experimental Security Markets with Insider Information: An Application of Rational Expectations Models”, *Journal of Political Economy* 90(4), 663-698. ([Link](#))
- Gueth, W, R. Schmittberger, and B. Schwarze (1982), “An Experimental Analysis of Ultimatum Bargaining”, *Journal of Economic Behavior and Organization* 3(4), 367 – 388. ([Link](#))
- Selten R. and R. Stoecker (1986), “End Behavior in Sequences of Finite Prisoner’s Dilemma Supergames: A Learning Theory Approach”, *Journal of Economic Behavior and Organization* 7, 47 – 70. ([Link](#))
- Kagel J. and D. Levin (1986), “The Winner’s Curse and Public Information in Common Value Auctions”, *American Economic Review* 76(5), 894 – 920. ([Link](#))
- Smith, V., G. Suchanek, and A. Williams (1988) “Bubbles, Crashes, and Endogenous Expectations in Experimental Spot Asset Markets”, *Econometrica*, 56, 1119-1151. ([Link](#))
- Isaac R. M. and J. Walker (1988), “Group Size Effects in Public Good Provision: The Voluntary Contribution Mechanism”, *Quarterly Journal of Economics* 103(1), 179-199. ([Link](#))

Day 3: The 90s

- Van Huyck, J., R. Battalio and R. Biel (1990) “Tacit Coordination Games, Strategic Uncertainty, and Coordination Failure”, *American Economic Review*, 80, 234-248. ([Link](#))

- McKelvey, R. and T. Palfrey (1992), “An Experimental Study of the Centipede Game,” *Econometrica*, 60, 803-836. ([Link](#))
- Fehr, E., G. Kirchsteiger and A. Riedl (1993), “Does Fairness Prevent Market Clearing? An Experimental Investigation”, *Quarterly Journal of Economics* 108(2), 437 – 459. ([Link](#))
- Forsythe R., J. Horowitz, N. Savin, and M. Sefton (1994), “Fairness in Simple Bargaining Experiments”, *Games and Economic Behavior* 6, 347 – 369. ([Link](#))
- Nagel R. (1995), “Unraveling in Guessing Games: An Experimental Study”, *American Economic Review* 85(5), 1313 – 1326. ([Link](#))
- Berg, J., J. Dickhaut and K. McCabe (1995), “Trust, Reciprocity, and Social History”, *Games and Economic Behavior* 10, 122 – 142. ([Link](#))

Day 4: 2000 - 2005

- Fehr E. and S. Gächter (2000), “Cooperation and Punishment in Public Goods Experiments”, *American Economic Review* 90(4), 980 – 994. ([Link](#))
- Dufwenberg M. and U. Gneezy (2000) “Price Competition and Market Concentration: An Experimental Study”, *International Journal of Industrial Organization* 18, 7-22 ([Link](#))
- Charness G. and M. Rabin (2002) “Understanding Social Preferences with Simple Tests” *Quarterly Journal of Economics*, 117, 817-869 ([Link](#))
- Holt C. and S. Laury (2002), “Risk Aversion and Incentive Effects”, *American Economic Review* 92(5), 1644 – 1655. ([Link](#))
- Huck, S., W. Müller, and H. T. Normann (2001), “Stackelberg Beats Cournot: On Collusion and Efficiency in Experimental Markets”, *Economic Journal* 11, 749 – 765. ([Link](#))
- Gneezy U. (2005), “Deception: The Role of Consequences” *American Economic Review* 95(1), 384 – 394. ([Link](#))

Part II: Current Developments

Day 6 Markets and Individual Decision Making

- Mobius, M., and T. Rosenblat. 2006. "Why Beauty Matters." *American Economic Review*, 96(1): 222-235. ([Link](#))
- Andreoni, J. and C. Sprenger (2012), "Estimating Time Preferences from Convex Budgets," *American Economic Review*, 102(7): 3333-56. ([Link](#))
- Kirchler, M., Huber, J., Stöckl, T. (2012), “Thar She Bursts – Reducing Confusion Reduces Bubbles”, *American Economic Review* 102(2): 865-883. ([Link](#))

- Noussair, C., G van der Kuilen, and S. Trautmann (2014), “Higher Order Risk Attitudes, Demographics, and Financial Decisions,” *Review of Economic Studies* 81(1), 325 - 355 ([Link](#))
- Breaban A. and C. Noussair (2014), “Emotional State and Market Behavior”, working paper, Tilburg University. ([Link](#))

Day 7: Games and Social Preferences

- Charness G. and M. Dufewnberg (2006), “Promises and Partnership”, *Econometrica* 74, 1579-1601 ([Link](#))
- M. Niederle and L. Vesterlund (2007), “Do Women Shy Away from Competition? Do Men Compete Too Much?” *Quarterly Journal of Economics* 122(3), 1067 -1101. ([Link](#))
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- List, J.(2007), “On the Interpretation of Giving in Dictator Games,” *Journal of Political Economy* 115(3), p 482-494. ([Link](#))
- Stoop, J., C. Noussair and D. van Soest (2012), “From the Lab to the Field: Cooperation Among Fishermen”, *Journal of Political Economy* 120(6), 1027 – 1056 ([Link](#))
- Oswald A., E. Proto, and D. Sgroi (2012), “Happiness and Productivity”, working paper, University of Warwick. ([Link](#))

Day 8: Neuroeconomics

Lecture notes

Days 9 and 10: Student projects

CALIFICACIÓN:

Numérica de acuerdo con la escala de la Universidad de los Andes (ver Reglamento General de Estudiantes de Maestría RGEM). El profesor podrá evaluar el desempeño de los estudiantes en el curso aplicando una sola prueba que corresponda al 100% de la calificación del curso.

<http://secretariageneral.uniandes.edu.co/index.php/es/normatividad-institucional/20-normatividad-institucional/74-reglamento-general-de-estudiantes-de-maestria>

FECHA DE RETIRO:

El estudiante podrá retirar el curso, sin devolución, hasta un día hábil antes de la fecha del examen final estipulado por el Profesor. La Universidad no devolverá el dinero cancelado por concepto de matrículas de estos cursos de la Escuela de Verano.