

# Econ 143: EXPERIMENTAL ECONOMICS

**Professor:** Pedro Rey-Biel

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**Web Page:** <http://pareto.uab.es/prey/Teaching.htm> and/or WebCT

**Office Hours:** Tuesdays 9:30-11:00 or by email appointment. Trailer 103 (near Economics Department).

**Course Description:** This course will survey some of the recent literature on Experimental Economics and explain the methodology behind experiments. This is one of the fastest growing areas of economic research.

**Texts:** - There is no textbook for the course. However, students may find useful to look at the following books:

Camerer, C.: *Behavioral Game Theory: Experiments in Strategic Interaction*, Princeton University Press 2003.

Friedman, D., and S. Sunder: *Experimental Methods: A Primer for Economists*, Cambridge University Press 1994.

Friedman, D. and A. Cassar, *Economics Lab: An Intensive Course in Experimental Economics*, Routledge 2004.

Kagel, J.H., and A.E. Roth, *Handbook of Experimental Economics*, Princeton University Press 1995.

- Journal articles will be required reading for some of the topics covered in class. They will be posted ahead of lectures on the course webpage.

## **Lab Fee:**

There will be a \$20 lab fee for this course that we will use to add incentives to our classroom experiments. I will also add \$20 to the pot. The total lab fee will be refunded to the class at the end of the term as a function of how many points students earn in the demonstrations. The purpose of the lab fee is to provide incentives to students during our classroom demonstrations. Here is how it works:

In occasional classes we will conduct a demonstration of an "experiment" in class. You will be the "subjects" in the experiment. In each demonstration, you will earn points. At the end of the quarter, I will tally the total number of points across students. I will use a secret

formula to convert your points into cash payments. The formula will make each classroom demonstration worth about the same amount of money. Your earnings from the demonstrations will be paid to you on the last day of class.

We will collect the lab fee in the 3th week of class (October 7<sup>th</sup>). I'll ask you to put \$20 in a plain envelope with your name and student ID on the outside and give it to me.

**IMPORTANT: Please let me know if paying this lab fee presents a burden, and we can make special arrangements for you. I do not want this lab fee to prevent anyone from taking the class.**

**Format:** This course will be taught in a seminar format, with plenty of interaction and discussion among the students. We will often do classroom demonstrations of the experiments we are studying.

**Exams and Grades:** The course will have one exam, and several homeworks which will have to be handed in class on pre-specified dates. Handing in homeworks regularly and on time is a requisite for the course. Once this requirement is fulfilled, the exam grade determines the final grade.

**Schedule:** Lectures will be on Tuesdays and Thursdays at 8:00 am at CENTR 222.

#### **Course Outline:**

- Experimental Economics. An Introduction
- Classic Simple Experiments (UG, DG, PD...)
- Methodology of Experiments
- Social Preferences
- Cooperation and Public Good Games
- Experimental Economics informing Behavioural Theory: Application to Contract Theory
- Cognitive Levels of Reasoning
- Uncertainty and Risk
- Markets
- Related Fields and New Methodologies: Field Experiments and Neuroeconomics