ECO 7342
Experimental Economics
Spring 2016

Professor: Tim Salmon
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Meeting Times: MW 3:30 – 4:50 PM
Location: ULC 303
Office Hours: MW 2:00-3:00 PM

Course Description:

The focus of this class will be to cover the basic methodological issues in conducting economic experiments. We will also demonstrate how those tools can be applied to many different fields of economic study. The main point of the course is to teach you how to conduct research in general, not just research using experiments. In going through each of the papers for the class and in discussing the methodological concepts we will be trying to uncover the methods behind what makes a good research paper, how does one come up with the idea for a good paper and what are the key components of any research exercise.

Course Texts: These books are not required but highly recommended for providing background for several sections of the class.


Student Learning Outcomes

By the completion of the course the students should be able to do the following:

1. Explain the principles behind experimental economics.
2. Evaluate and design economics experiments.
3. Be able to identify research questions in papers and evaluate whether the authors have provided sufficient answers.
4. Be able to evaluate a literature critically and determine what important elements may be missing that could lead to future research.

Grading:

Grades in this class will come from multiple sources. There will be two substantial writing projects for the course. The first will be a critical literature review and the other will be an experiment design, worth 30% each. There will also be two class presentations required each worth 15%. One of the class presentations will be the student presenting one of the papers from the syllabus to the class. The other presentation will be an in class summary presentation of the literature review project. The final 10% will come from students providing a referee report on the experimental design paper submitted by another student.

The in class paper presentation can be done at any point during the semester. As early as possible, students should identify which paper they would like to present from the syllabus and get it approved by me. Not all are suitable for student presentations. The presentation will occur when that paper comes up in the semester. The idea for this presentation is that the student will take over lecturing for the day and present the paper to the class. It should be noted that simply reading the one paper will often not be enough preparation for the lecture. To present one paper, you often need to become familiar with the background papers it relates to so that this paper can be framed in better context. Presentations will be expected to be complete and presenters
will be expected to be prepared to answer reasonable questions about the paper they are presenting and its place in the relevant literature.

For the literature review project students will be expected to read, summarize and critique 8-10 prominent papers from the segment of the experimental literature of their choice. While students can choose fields among those discussed in class, they are also free (and encouraged) to choose areas not covered by the course. The literature is broad enough to include any field you might be interested in including macro, health, education, labor, trade, finance and many more. If a field covered in class is chosen, the papers on the syllabus do not count towards the required amount. Students should get their topic approved by me by February 10th. This should consist of turning in a paragraph or two summarizing the literature you propose to review and explaining why you want to review it. Students should begin thinking about topics earlier and are welcome to talk with me for advice. Literature surveys will be due on March 23rd.

These reviews are intended to be critical literature surveys which means you should not simply list papers and explain paper by paper what was done. The goal of the project is for you to examine a literature and determine (i) What are the main economic questions the literature is attempting to address? (ii) What are the methods employed in the literature? (iii) What answers to the key questions have been provided? (iv) Do those answers seem reliable and when there are multiple ones, why do they conflict? (v) Are there remaining important questions that should be addressed in the literature? Any paper that fails to address these issues in regards to the literature as a whole (NOT just for individual papers) and instead simply provides a disconnected summary of papers will receive a failing mark. Often you will find that assessing the quality of answers in a literature will require you to read and examine more than just a few papers. This is expected and you are expected to do so to develop a mature understanding of the issue.

As you read papers, you will undoubtedly see the literature surveys in each one. Note how they (hopefully) deal with each of these issues and it should provide a good model for you, though yours should be more extensive than what would show up in the introduction of a paper. This literature survey should be written as a full paper. There needs to be a narrative structure to it in which you introduce the key questions in the literature and motivate why they are interesting and worth addressing. This should be done from your perspective in analyzing the literature, not simply quoting from papers. The paper needs to present your point of view on the literature. In providing an overview of the literature, you need to put the papers in the literature into some sort of organizational structure by grouping similar papers together and noting what one learns from them that might be different from other groups of papers. Since this point is often misunderstood, let me restate this again: ANY PAPER THAT SIMPLY PROVIDES A DISCONNECTED SUMMARY OF PAPERS WILL FAIL.

Once these have been turned in, I will review them for completeness and begin scheduling times for in class presentations which should take place in the last 2-3 course meetings. Literature surveys I decide are not complete enough will be required to be improved prior to the class presentation. The class presentations will be aimed at 20-30 minute talks in which your goal should be to concisely provide answers to the key questions mentioned above. For the presentation in particular you should not plan to cover the details of every paper rather the idea is to provide a concise overview of the literature in which you address the key questions noted above. Again, these are intended to be critical reviews so I want you to not just summarize what was done but provide comments about the appropriateness and strengths/weaknesses of the methods in the papers.

If you have questions regarding the structure of the literature review paper or presentation as you are working on them, feel free to discuss the matter with me and I will be happy to provide guidance.

The final project for the class will be an original experimental design. This project will involve several stages. Generally it is a good idea for this experimental design to be related to the literature review but it need not be. By March 14th you should submit a maximum one page proposal stating the question you wish to address
with your design and a short summary of your idea. Assuming that is approved by me then you should turn in 
a first draft of this project on **April 13th**. The papers turned in should be the equivalent of full papers just 
missing results sections. This means you will need an introduction in which you state the question you wish 
to address and motivate why it is worth examining. You need to provide a review of the relevant literature 
noting what aspects of the question have and have not been previously addressed. You should present your 
experimental design as well as a set of hypotheses about potential results from the experiment along with 
support for those hypotheses. The support could involve constructing a model of the theoretical situation and 
solving it or it could involve borrowing the theory from another paper and showing how your design proposes 
to test it.

When these drafts are turned in, I will randomly shuffle the projects and hand them out to the class before I 
have read them myself. I will then expect each student to turn into me a referee report on the project they have 
been assigned in which the student critically evaluates the project. You should expect to comment on how well 
the paper does at satisfying the components mentioned above and provide suggestions for how the author 
might improve the project. This referee report will be graded by me and is due on **April 20th**. These reports 
will be passed along to the original authors allowing them to revise their first drafts. Final versions of the 
papers will be due on **May 2nd**. These should include not just the final version of the paper but also a separate 
narrative response to how the paper was edited to respond to the referee comments. This process of providing 
and responding to referee comments is an important part of the publication process and having you go through 
the full cycle should be helpful in teaching you how this works in the profession.

**Course Outline:**

1. **Introduction to Experiments**
   a. Roth, Alvin. Chapter 1 K&R
   Economic Thought, 15, 184-209.
   Literature, 43: 65-107. **1/18**
   Review, vol. 72. no. 5, pp. 923-955.
   Economy, Vol 70 No 2, pp 111-137. **1/18**

2. **Auction Experiments**
   a. Overview of Auction/Mechanism Design Theory **1/20 & 1/25**
          Bidding,” Econometrica, Vol. 50 No. 5, pp. 1089-1122.
      iii. Vickrey, William, 1961 “Counterspeculation, Auctions, and Competitive Sealed Tenders,” 
      v. Hurwicz, Leonid, 2008 “But Who Will Guard the Guardians?,” American Economic Review, 
         Vol. 98 No. 3 pp. 577-585.
      vi. Myerson, Roger B., 2008 “Perspectives on Mechanism Design in Economic Theory,” 
b. Kagel Chapter in K&R


4. External Validity: Lab Experiments vs. Field Experiments


5. IO Experiments
   a. Holt Chapter in K&R

6. Asset Markets and Finance

7. Electronic Markets

8. Labor Market Experiments

9. Behavioral Experiments
   a. Camerer chapter in K&R
10. Public Goods
   a. Ledyard Chapter in K&R


12. Experiments with Communication

University Policies

* **Disability Accommodations**: Students needing academic accommodations for a disability must first contact Ms. Rebecca Marin, Coordinator, Services for Students with Disabilities (214-768-4557) to verify the disability and establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4.)

* **Religious Observance**: Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

* **Excused Absences for University Extracurricular Activities**: Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)