



## Department of Economics Course Outline

		<b>Term:</b>	Winter 2010
<b>Course:</b>	Economics 479 [Experimental Economics]	<b>Section:</b>	01
<b>Time:</b>	T R 11:00 – 12:15	<b>Place:</b>	TRB 102 (subject to change)
<b>Instructor:</b>	Subhasish Dugar		
<b>Office:</b>	SS 434	<b>Telephone:</b>	220-5291
<b>Office Hours:</b>	By appointment	<b>E-mail:</b>	sdugar@ucalgary.ca

There is no textbook for this class. Research articles will be distributed (via Blackboard) by the professor on a regular basis.

Economics as a discipline used to be guided by sophisticated mathematical models making simplifying assumptions about human behavior in strategic/market situations. This was the case until late 80s. After that, a few economists did what used to be unthinkable. They took these theories in the laboratory and started testing them under controlled situation, making sure that *most* of the assumptions are invoked in the laboratory. This created and has been creating a body of literature, muck akin to, for example, Physical science in which experimentation has been a primary tool for decades for accumulating a large body of knowledge that can be replicated under controlled conditions.

This course will explore how economics has incorporated laboratory experimentation as an important tool and incorporated a number of insights and findings from psychology and experiments; what it can, in return, bring to the understanding of these phenomena; and examine some of the implications that follow for the workings of markets and policy.

### I. Blackboard

This course will use the online Blackboard system to track grades, post announcements, and distribute required readings. If you cannot regularly access the Blackboard, please alert the professor.

### II. Live with a Topic for Two weeks

The course topics will be covered in a series of 13 weeks lecture. The course will cover *six* topics (some of them are listed below). For each topic we will use *two* weeks, or in other

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words, we will spend *four* days of lecture. Of course, there is a trade-off between the number of important topics that one could cover during this time period and how much time one could possibly devote to each topic. I prefer to deal with a topic for a few weeks rather than just scratching the surface of a lot of topics, crammed together during this short time frame.

For each topic, the following procedure will be used:

*Class day 1 (75 min):* Introduce a particular topic or phenomenon in the class. Discuss classic papers in that area.

*Class day 2 (75 min):* Lecture on the predictions of the “standard” theory. Some discussion will follow.

*Class day 3 (75 min):* Lecture on the related experiments. Some discussion will follow.

*Class day 4 (75 min):* Lecture on the related experiments. Open discussion of the readings and related ideas at the conclusion of the lecture.

*Weekend Homework:* One reading will be assigned to everyone in the class. Everyone must prepare a one-page referee report of the assigned reading. This report is due for that topic on *Class day 4* at the beginning of the class.

### **III. Think, Talk, & Write for Grades**

The following outlines the evaluation schemes that will be used in the course. The weight assigned to each scheme *may* change at the discretion of the professor within the first two weeks of the class.

*30%* Each student must write one referee report on an exogenously assigned paper on each topic. Each report carries a weight of 5%. Thus, a student must write a total of six referee reports on six different topics. If you miss a report, you lose all the points.

*20%* Students should actively participate in class discussions. Say something meaningful; just do not babble for getting points.

*30%* Midterm examination, the date of which will be announced early well in advance of the course.

*20%* All students must write a research proposal, which is due on the last day of the class. This is equivalent to a final exam. Try doing something useful. Meet with the professor to hatch and sharpen an idea.

#### IV. Discussion Tips

The prepared referee report should:

- ✿ be typed, 12 point, Times New Roman, justified style,
- ✿ mention the main questions of the assigned paper,
- ✿ list the main findings of the paper,
- ✿ be constructively critical of the methodology and the experimental design of the paper,
- ✿ be careful of the data analysis and interpretation of the data,
- ✿ and suggest ways to improve the design and data analysis of the paper, and comment on the merit of the question and conclude with what particular economically relevant insight that paper has generated.

#### V. Research Proposal

The main objective of this course is to offer you ample opportunities so that you can develop your skills for becoming “someone” who asks good questions. The research paper you are supposed to write may build on one topic (that we have covered in the class) or bridge across topics. Or, it may involve a topic that we have not covered in the class.

Your job is to “sell” your idea to the professor (that is, your potential reader) via a research proposal.

A good proposal:

- ✿ is between 5 and 10 pages,
- ✿ is broken into 3 to 6 coherent sections, such as (for example) “Introduction”, “Related Literature”, “Proposed Experiment”, “Hypotheses”, and “Conclusion”,
- ✿ has a title page with the author’s name, title, and an abstract of <100 words that summarizes the proposal,
- ✿ properly surveys related literature to show that (a) your idea hasn’t been done, and (b) your idea has spotted an interesting hole in the literature,
- ✿ provides *in very clear detail* what exactly you propose to work on,
- ✿ has a list of hypotheses about what you expect to find,
- ✿ and provides *in very clear detail* what resources you will need (money, subjects, computer lab, etc.).
- ✿ *Examples of potentially relevant topics:*

Addiction, anonymity, attention, auctions, auditing, bargaining, beauty, biases, bounded rationality, bracketing, bubbles, business, children, communication, confidence, confirmatory bias, contract theory, cooperation, coordination, corruption, crime, deception (in or outside the lab), decision making, deductive reasoning, development, discrimination, double auctions, emotions (including anger, anxiety, disappointment, elation, envy, fear, guilt, meta-guilt, irritation, joy, regret, shame, surprise) entrepreneurial discovery, evolution, equity premium puzzle, ethnicity, evolution, experimental business research, fairness, feelings, field experiments,

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finance, fines, framing, gender, government failure, group decisions, happiness, health, hedonics, herding, heuristics, history of behavioral/experimental economics, hyperbolic discounting, identity, imitation, implementation, incentives, inference, informational cascades, internet, intertemporal choice, judgment, law, learning, liberty, loss aversion, lying, macro, marketing, markets, matching, mechanism design, memory, mental accounting, money illusion, mood, multicriteria games, neuroeconomics, networks, optimism, organizations, paternalism, peer group effects, pessimism, policy, political science, political stock markets, preference reversals, procedural rationality, procrastination, promises, prospect theory, psychological games, public choice, public goods, punishment, quantal response, reciprocity, reference dependence, reputation, revealed preference, revenge, rewards, sabotage, savings, script analysis, signaling, shirking, social distance, social norms, social preferences, social respect, somatic markers, speculation, statistics, status, teams, temptation, threats, time consistency, time preference, unawareness, visceral factors, voting, wages, welfare...

## VI. Tentative List of Topics (we will cover only six of them)

- ✱ Public Good games
- ✱ Altruism, fairness, & Reciprocity
- ✱ Incentives & Behavior
- ✱ Discrimination in the Lab & the Field
- ✱ Mixed-Strategy Equilibrium: Tennis & Soccer
- ✱ Incentives and Tournaments
- ✱ Coordination Games

### Book(s) on Reserve:

*Papers in Experimental Economics*, Smith, Vernon, Cambridge University Press, 1991

### Course Outline:

This course brings psychological insights to bear on economic models.

### Grade Determination and Final Examination Details:

As a guide to determining standing, these letter grade equivalences will generally apply:

<b>A+ 95 - 100</b>	<b>B+ 77 - 81</b>	<b>C+ 67 - 69</b>	<b>D+ 56 - 59</b>
<b>A 87 - 94</b>	<b>B 74 - 76</b>	<b>C 64 - 66</b>	<b>D 50 - 55</b>
<b>A- 82 - 86</b>	<b>B- 70 - 73</b>	<b>C- 60 - 63</b>	<b>F 0 - 49</b>

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Students' Union Vice-President Academic:

Meg Martin

Phone: 403-220-3911

E-mail [suvpaca@ucalgary.ca](mailto:suvpaca@ucalgary.ca)

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Students' Union Faculty Representative (Social Sciences)

Chris Kalantzis

Phone: 403-220-3913 Office: MSC 251

E-mail [socialscirep@su.ucalgary.ca](mailto:socialscirep@su.ucalgary.ca)

Society of Undergraduates in Economics (S.U.E.):

[www.ucalgary.ca/sue](http://www.ucalgary.ca/sue)

**Notes:**

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor within *fifteen days* of the work being returned to the class.
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 403-220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Safewalk / Campus Security: 403-220-5333

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