

# Behavioral and Experimental Economics

UChicago/UCEMA Joint Initiative for Latin American Experimental Economics

Maestría en Economía - UCEMA

Course Syllabus – Academic Year 2019

Course Instructor: Giovanni Ponti

## 1. Course Contents

The proposed course is an introduction to the theory and practice of experimental economics, with a special focus on the behavioral analysis of

1. individual (and interactive) decision making under risk and ambiguity;
2. risk, time and social preferences;
3. behavioral finance.

Since the ultimate goal is to design and run economic experiments, we shall complement the review of the existing experimental literature on these themes with a survey on methodological and design issues, together with a review of some popular statistical tools used to analyze behavioral data.

## 2. Course Formative Objectives

Experimental Economics offers an alternative data collection method to standard empirical methods in Economics that is directly designed to study specific research questions. In the practice of Experimental Economics the data collection process is under full control by the researcher, who can fine-tune the characteristics of the economic environment under scrutiny (incentives, dissemination of information, context and framing, etc...) to his or her own purposes. The methods of Experimental Economics rely on carefully controlled designs, in ways similar to Experimental Psychology or Experimental Physics. However, the ability to control for unwanted influences and unobserved phenomena is much weaker in the social than in the natural sciences, and in this course we will discuss the limits of our ability to construct an ideal social science experiment.

Students will be introduced to discussions about both the power and the limitations of Experimental Economics as a data collection method, and to discoveries that have spurred a deeper interest in individual and collective behavior. Students will practice the methods taught by reviewing published papers and, possibly, designing their own experiment.

At the end of the course the students should be able to answer the following questions: 1) What are the most important benefits and limitations of the experimental methodology? 2) What are some of the most important discoveries made using economics experiments? 3) What are the elements of a good experimental design? 4) How should a good design be influenced by theory and econometric methods?

### 3. Teaching method

Lectures for a total of 18 hours.

### 4. Assessment Method

Final Exam.

### 5. Class outline

Class	Lecture	Student Presentation	Readings
1	Overview of experimental literature		(H) ch1-5, 27 20, 21, 22,
2	<b>Topic 1:</b> individual (and interactive) decision making under risk and ambiguity.		(H), ch 6-12. 1, 2, 6, 9, 13, 14, 17, 24
3	<b>Topic 2:</b> risk, time and social preferences.		3, 7, 8, 10, 12, 18,
	<b>Topic 3:</b> behavioral finance.		4, 5, 11, 15, 16, 23
4	Experimental Design Principles I		(FS) ch 3-6
	Experimental Design Principles II		(H) ch 26-28, 19
5	Experimetrix part 1: non parametric tests		(M), ch. 1-3
6	Experimetrix part 2: revealed preference and structural estimation		(M), ch. 14-6.

### 6. Textbooks

Bardsley N, Cubitt R, Loomes G, Moffat P, Starmer C, Sugden R (2009). *Experimental Economics: Rethinking the Rules*, Princeton University Press. (BetAl)

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

Holt CA (2007). *Markets, Games and Strategic Behavior*, Pearson. (H).

Moffatt PG (2016). *Experimetrix: Econometrics for Experimental Economics*. Palgrave Macmillan. (M)

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18. Levitt, Steven D. and List, John A., 2007, “What Do Laboratory Experiments Measuring Social Preferences Reveal About the Real World?”, *Journal of Economic Perspectives*, 21(2), Spring, 153-174.
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