UG Course Outline

EC3322: Experimental Economics
2016/17

Be aware: This course if very different from other courses. There are no traditional lectures. This course uses a different learning method called Problem-based Learning (PBL) system. PBL tries to overcome the weaknesses of traditional education by giving the students an active role. Students do not acquire knowledge by passively spending hours listening to lectures. Instead they actively acquire this knowledge through problem-based work in tutorial group meetings once a week. Please read this outline carefully before deciding to take this course.

Course Overview
The course will cover four main topics in Experimental/Behavioural Economics:

- **Markets** (meeting 2): This session will address how individuals make decisions in markets. For example, we will explore if the equilibrium market price indeed depends on the intersection of the demand and supply curve as suggested by standard economic theory.
- **Individual Decision Theory** (meeting 3): This session will address how individuals decide to spend money today or save it for future spending.
- **Social Preferences** (meetings 4, 5, and 6): Three sessions will investigate the assumption of self-regarding preferences, a common assumption made in standard economic models. In particular we will look at (1) the role of fairness, (2) other forms of distributional preferences, and (3) the role of intentions. Whilst these topics concern individual preferences, many of the environments in which they are tested are strategic.
- **Behavioural Game Theory** (meetings 7 and 8): These sessions will explore the ability to act rationally in strategic environments. Topics include (1) limited reasoning, and (2) randomisation in the context of strategic interaction.

Aims
EC3322 is a third year optional course. There are a number of academic goals for this course:

- Exposure to using research papers, rather than text books. In particular, learning to use often very technical and esoteric articles to learn about current academic research topics.
- Introduction to the use of experiments to test economic theories. In particular, some exposure to the various issues raised by experimental design, and some of the statistics used to analyse the data they generate.
- to provide the students with critical awareness as regards to applying theoretical economic models.
Learning Outcomes
Upon completing the course, students should:
- demonstrate knowledge of the most important reasons why humans deviate from behaviour predicted by the commonly used model of the homo oeconomicus
- demonstrate knowledge of formal modelling of behaviour that deviates from the standard model
- be able to critically discuss the advantages and disadvantages of the experimental method
- understand formal modelling of behaviour that deviates from the standard economic model
- be able to work effectively in a small group

Course Delivery
The “lectures” will take the form of weekly 2-hour tutorial group meetings. Within these tutorial groups, students discuss and solve problems given by the instructor. A tutorial group consists of up to fifteen students plus the instructor, who guides the group process but does not provide answers to the problems. A team of students assigned as discussion leaders will lead each session. The initiative lies with the students: the learning method is explicitly student-centred rather than teacher-centred. Participation in tutorial groups forms part of the assessment.

Other than the first, introductory session, there will be two types of tutorial group meetings: discussion-led (the majority) and presentations (final two meetings).

1. The discussion-led meetings will have the following structure:
   - Discussion of literature: summary and discussion of the literature assigned for the session.
   - Discussion of questions and tasks: summary and discussion of the questions and tasks assigned for the session.
   - Experimental results: presentation and discussion of the results of the relevant experiment.
   - Experiment to motivate the following meeting (this will normally require 10-15 minutes at the end of the meeting).

   Each session’s discussion leaders must:
   - decide on a suitable order for the first three items (that is, whether they should be integrated or not, etc.)
   - lead the discussion in a) and b)
   - present the results of the relevant experiment for c).

2. Two sessions (meetings 9 and 10) will be for team presentations. In each meeting, up to two teams will present. Each team has 40 minutes for their presentation.

The “seminar” takes the form of (compulsory) reading/preparation sessions. During these weekly 1-hour sessions, students prepare for the tutorial groups by reading, preparing notes, identifying gaps in their understanding, etc. The team that will be discussion leader prepares their tasks; the other teams prepare their ‘team questions’ (see below). The lecturer will be available during the reading/preparation sessions (seminar) to answer questions.
Teams
Each tutorial group will be split into teams (usually of 2-3 students). The teams have the following tasks:

1. Each team is assigned a project; each team’s topic is different. The project involves the preparation of a set of answers (in writing) to a “reading guidelines, questions and tasks” list, and a class presentation (in either meeting 9 or 10). The team project (presentation and written work) will form part of the assessment for the course.

2. Each team will be assigned the role of discussion leader for at least one of the discussion-led meetings. They will have the responsibility to organise the session, as well as undertake some tasks related to an experiment (see below for more details). It is left to the team to decide how these responsibilities are allocated amongst themselves.

3. In addition, for any discussion-led meeting in which your team is not the discussion leader, your team must submit questions (at least one per team is expected) on the literature that is to be discussed in that meeting. This should be posted on the moodle discussion board by 8:00 am on the day of the meeting.

Summative assessments:

1) Team Project: see above
2) Presentation of Team Project: see above
3) Final Exam
4) Contribution in 7 tutorial group meetings (participation grade)
   The participation grade is based on your participation in your tutorial groups. Each session is graded on the following scale: Check plus (10 out 10), Check (6 out of 10), Check minus (3.5 out of 10) and Zero (0 out of 10). Your participation grade for any missed meetings is also 0 out of 10. This scale is multiplied by 10 to get the grade for participation.
5) Individual Project Assignment (only relevant if you miss more than 2 meetings)
   You can miss a maximum of two of the ten tutorials, otherwise an individual project assignment will be due for each missed meeting:
   - 0 – 2 missed meetings: no extra assignment
   - 3 missed meetings: 3 individual extra project assignments
   - 4 missed meetings: 4 individual extra project assignments
   - 5 or more missed meetings: you fail the course (see ‘Attendance grade’, below)

If you are due to write an individual project assignment, then you must provide a summary of the assigned literature (at least one page, no more than two pages) and a detailed set of answers to the reading guidelines, questions and tasks list (including the analysis of any experiment data) for each meeting that you have missed.

IMPORTANT: The Individual Project Assignments are graded as “Pass” or “Fail”. This is a “must pass” assignment, which means if you fail this assignment you fail the entire course.
6) Attendance Grade
There is also an attendance requirement: if you miss 5 or more tutorial meetings (out of 10), you will get a “fail” grade. Missing 4 or less meetings will result in a “pass” grade.

A meeting counts as missed if a student misses 10 minutes of the total of 100 minutes per meeting.

**IMPORTANT:** The Attendance grade is a “must pass” assignment, which means if you fail this assignment you fail the entire course.

Weights of assessments 1 – 4:
- participation in tutorial groups 2 – 8 meetings (7 x 3% = 21%)
- team project (10% for presentation and 10% for written paper)
- a 2-hour unseen written examination in the Exam term (59%)

Deadline for submission of Team project:
You will need to post the written part of the team project (final version) in the moodle discussion board by 08:00am on the day you are due to present your project in class (either December 3 or 10).

Schedule and required reading references

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<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Required Reading**</th>
<th>Further Readings</th>
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<tbody>
<tr>
<td>5</td>
<td>*(28/10) Distributional preferences</td>
<td>Fehr &amp; Gächter (2000)</td>
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<tr>
<td>7</td>
<td>(18/11) Level of reasoning</td>
<td>Fehr &amp; Gächter (2000)</td>
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<tr>
<td>9</td>
<td>(02/12) Presentations</td>
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<td>10</td>
<td>(09/12) Presentations</td>
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* Meetings 4 and 5 (October 21 & 28) will either be re-scheduled or another lecturer will lead the session.
** Links to the research articles will be posted on moodle.
Reading
The course is centred on the discussion of, mostly, research papers. The required reading for each meeting is posted in the “Course Materials” section of moodle, along with the schedule. Research papers are generally more difficult to read, although often relatively short; generally not more than 25 or so pages long. However, reading once is often not sufficient. You are advised to leave enough time for careful reading. Failure to complete your preparatory reading will cause you to be unable to achieve good participation grades, and will thus affect your assessment.

For students who would like more general references for the topics covered in the course, the following books are available in the library:

- Nick Wilkinson, An Introduction to Behavioral Economics (Palgrave Macmillan, 2007). This text provides a general overview, but tends to substitute depth for breadth; it is mostly useful for the behavioural decision theory material.
- Paul W. Glimcher, Foundations of Neuroeconomic Analysis (Oxford University Press, 2010). Although primarily concerned with the emerging field of neuroeconomics, the first part of this text provides an excellent summary of the results and approaches of both Economists and Psychologists in the field of behavioural decision theory, as well as a detailed discussion of the methodological issues raised by interdisciplinary research.
- Colin F. Camerer, Behavioral Game Theory: Experiments in Strategic Interaction (Princeton University Press, 2003). This detailed text is particularly useful for the material on social preferences and behavioural game theory.

Other references that should be available in the library include:

- Colin F. Camerer, George Loewenstein, and Matthew Rabin, Advances in Behavioral Economics (Princeton University Press, 2003). This is a collection of research papers that also includes much of the assigned literature.
- Note that none of the above references can replace reading the required literature, as stated in the schedule.