17-21 July 2017, from 9.00 to 16.00

Course title: EXPERIMENTAL ECONOMICS
ECTS credits: 6

Lecturer: Professor Luigi Luini, University of Siena, Department of Economics and Statistics, Italy
Contact: luigi.luini@unisi.it

AIMS OF THE COURSE:

Economists' typical interests in strategic and market-based interactions raise particular methodological challenges and opportunities that are uniquely well-suited for testing economic theories with experiments. The aims are: to provide and discuss the foundations of experimental economics: Theory, design and running of Lab-Field experiments; to introduce a methodology for doing experimental research and achieving high internal and external validity. To present important empirical findings in substantive areas of application: Team decision, Oligopoly and learning, Neighborhood effects and other-regarding preferences, Time and risk.

COURSE SYLLABUS:

1. Lab and Field Methodology
This module is designed to familiarize the student with experimental methodology and the range of application of experimental methods in economics, in order to investigate the merits (and limits) of experiments, the principles of conducting an experiment, and provide an overview for the different type of experiments. A major advantage of experiments is that exogenous treatment variations allow identifying causal relationships between treatment and observed behavior. At the same time experimental datasets often come with small sample size, variables might be discrete, and interaction between subjects in the laboratory or repeated measurements create violations of independency assumptions.

References
The reading list should be regarded as a reference list and most of the attention will be devoted to readings with a star *, which are recommended readings.

Levitt, S. D. and List, J. A., 2009, Field experiments in economics: The past, the present, and the future, European Economic Review


2. Team decision: Financial and symbolic incentives
Introduction to public good games among peers and public good games with leaders and followers. Discussion of how (different styles of) leadership and (different types of) incentives interact in teams.

References

3. Oligopoly: Learning to intensify and relax competition
Experimental games under different information structures reveal that the level of competition is strongly influenced by the number of oligopolists, by the type of interaction (one-shot versus repeated), and by communication (compulsory versus voluntary). Presentation of experiments in which competition increases/decreases.

References
Normann, S.H., H.T. Oechssler, 2004, Two are few and four are many: Number effects in experimental oligopolies. Journal of Economic Behavior and Organization
Fonseca, M.A., H.T. Normann, 2012, Explicit vs. tacit collusion: The impact of communication in oligopoly experiments, European Economic Review

4. Neighborhood effects and other-regarding preferences
Individual choices are seldom completely self-determined. We review the main results of the experimental literature on social preferences with particular reference to neighbourhood effects.
References

Cooper D., J.H. Kagel 2013, Other-Regarding Preferences: A Selective Survey of Experimental Results, WP


5. Risk and Time

Risk and time play different roles in economic choiches: we discuss how they interact in the lab with particular reference to individual impatience and risk attitude.

References


Halevy, Y., 2008, Strotz meets Allais: Diminishing impatience and the certainty effect, American Economic Review

LIST OF READINGS:

General references


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


Introduction to experiments

- Smith, V., 1982, Microeconomic Systems as an Experimental Science, American Economic Review

TEACHING METHODS:

Reference to Microeconomics and Game Theory concepts is made during the course. A good graduate-level textbook in Microeconomics will help refresh these concepts, e.g. chapters 1 (Preference and Choice), 2 (Consumer Choice), 6 (Choice under Uncertainty), 7 (Basic Elements of Noncooperative Games) of Mas-Colell, A., Whinston, M. D., and Green, J. (1995), Microeconomic Theory, Oxford University Press.

Classes and Laboratory: How to run an experiment
Examination methods: Written exam (80%) + Assignment-Lab (20%)

Lecturer’s Biographical Note:

Professor Luigi Luini holds the Chair of Behavioral and Experimental Economics at the University of Siena, Italy. He is also Visiting Professor at CERGE-EI, Charles University, Prague; Istanbul University; University of Montreal; and Visiting Research Professor at California Institute of Technology, Pasadena. Graduated at Bocconi University, Milan, Italy, he obtained research grants at Stanford University and Cambridge University, UK. His research interests involve Microeconomics of Uncertainty and Information and Industrial Organization.