

Introduction to Experimental Economics (2nd Yr)

Module Code: ECO00014I **Credits:** 10 **Year:** 2 **Terms:** 1
Contact Hours: 9 one-hour Lectures, 2 two-hour Seminars (13 contact hours)
Module Organiser: Professor John Hey

Please note this module is the same as the 3rd year module ECO00028H. You can EITHER take ECO00014I in your 2nd year OR ECO00028H in your 3rd year but not both.

Overview of the Lectures: The course is, as its title suggests, an *introduction* to experimental economics. The course is structured around a series of *topics* - each of which stands fairly alone from others, and which are exciting in and of themselves. This is partly because the course is being offered in the first term of the second year, and consequently students have not yet been exposed to more advanced economics. It is also partly because I feel that a topic-based approach is more suitable for undergraduate students. It is also connected with the assessment, which is all project-based. Both the examination and the group projects (see below) require students to *design* an experiment to test or investigate some proposition about economic behaviour. On the website I propose a number of topics, but I am more than happy to choose new ones – and I await suggestions. At the moment, the topics are: Monty Hall's Three Door Problem; Beauty Contests; Herd Behaviour; Bubbles and Crashes in Markets; Games; Expected Utility Theory, Planning; I await suggestions for alternatives.

Overview of the Seminars: The seminar programme will partly involve students participating in experiments and partly in designing their own; in 2013-2014 we devoted one of the two seminars to preliminary discussion with the various self-formed groups the possible implementation of their projects.

Aims:

- To expose the students to the subject of Experimental Economics and to give an overview of some of its uses in different areas of Economics. The course will *not* attempt to give a comprehensive overview but will instead give a series of illustrations through particular topics.

Objectives:

On completing the module a student will be able to:

- Know the terminology used in Experimental Economics.
- Be knowledgeable of the use of experimental methods in different areas of Economics.
- Know how to use experimental methods to study an economic question.
- To get some feeling of the types of topics in economics that can be studied using experimental methods.

Assessment:

There will be a 2-hour unseen examination in Week 1 of the Spring Term. The paper will present two possible projects and ask the student to design an experiment to investigate the project. A specimen paper can be found on the VLE site.

Alternatively students can opt to be assessed by a Group Project, in which self-selected groups prepare a project, under my supervision, and submit it for assessment. All students in any one group get the same mark.

The deadline for submission of the Group Projects is Monday of week 5 of the Summer Term.

Pre-requisites:

Economics 1 (ECO00001C)

Co-requisites:

Microeconomics 2 (ECO00001I)

Main References (none of which are compulsory. Advice on reading is given on the VLE site):

Bardsley, N. et al. (2009). *Experimental Economics*. Princeton University Press.

Camerer, C. F. (2003). *Behavioural Game Theory: Experimental Studies of Strategic Interaction*. Princeton University Press.

Carbone, E. (2007). *New Development in Experimental Economics*. Edward Elgar.

Chaudhuri, A. (2009). *Experiments in Economics*. Routledge.

Davis, D. D. & Holt, C. A. (1993). *Experimental Economics*. Princeton University Press.

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

Hey, J. D. (1991). *Experiments in Economics*. B. Blackwell.