

Seminar
Experimental Economics
Fall term 2008

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Course description

This class in experimental economics is a hands on seminar where students will design, conduct, and evaluate their own experiment.

This includes coming up with a research question, setting up the experimental design, deriving theoretic predictions for this setting, writing instructions, conducting the experiment, doing statistical evaluation of the data and writing a research report.

Usually master and diploma students will work in teams, doctoral students will conduct an experiment on their own.

How can I register for the seminar?

- I need an idea for an economic research experiment, this idea/design/research question has to be approved by the instructor.
- I join somebody who has an idea. Think about what you have to offer: programming experiment software, excellent writing, stata/statistics, and managing and conducting experiments.
- Market for ideas and skills during first meeting.
- Minimum group size: one student; maximum group size: three students.

Organization

- Pro: Hands-on seminar, your own ideas and topics.
- Con: More effort than literature review, have to use experimental method, you will be removed from lab subject pool.
- Grading
 - Participation, presentation of experimental design, presentation of results: 25% of grade
 - Term paper 75% of grade
- Term paper: abstract, introduction, theory, experimental design, hypotheses, results, conclusions, references, appendix instructions, data
- Hand in paper version and pdf
- I check for plagiarism

Organization (cont.)

- Ideas & skills market
 - Drop by at my office (from August 25, 2008 on).
 - Send email with your idea
 - First meeting, Wednesday, September 10, 2008, 1:45pm
- Approval of topic: now until Wednesday, Sept. 17 (latest)
- Block “Your design (and related work) presentation”, October 8, 2008
- Testing instructions and software (October, early Nov.)
- Conducting experiments, statistical data evaluation, writing term paper: November
- Hand in term paper: December 7, 2008
- Presentation of results, final grading: Wed, Dec. 10

Literature

- *Primer*: Friedman and Sunder (1994) Experimental Methods – A Primer for Economists
- More stuff you should be aware of:
 - *Handbook*: Kagel and Roth (1995) The Handbook of Experimental Economics (and depending on the topic pre-prints of the Handbook of Experimental Economics Results and Handbook Vol. 2)
 - Charles Holt (2007) Markets, Games, & Strategic Behavior
 - *Primer 2*: Gibbons (1992) A Primer in Game Theory
 - Davis and Holt (1993) Experimental Economics
 - Glenn W. Harrison; John A. List (2004) Field Experiments, *Journal of Economic Literature*, 42 (4): 1009-1055., as well as List's website on field experiments
 - Last year's lecture materials (need to register with email)
- Technical stuff
 - zTree manual
 - Rules for experimenters (and participants), SFB504 lab

What is a good experiment?

(Seven questions by Shyam Sunder)

- What is the question that you would like to have answered after the experiment? (Your answer should be a single sentence with a question mark at the end.)
- What do you know already about the possible answers to the question you have stated above?
- What are the various possible ways of finding an answer to the question you have stated above? Include both experimental as well as any other methods you know.
- What are the advantages and disadvantages of using an experiment to find an answer?
- What are the chances that the answer you get from the experiment will surprise you or others? What are the chances that it will change someone's mind?
- How would you conduct the experiment? (Write down a design and instructions.)
- Is your experimental design the simplest possible design to help answer the question you have stated?

(Possible) topics

- Markets
- Beauty contest
- Public choice
 - Public goods
 - Voting
- Bargaining
- Trust, reciprocity & principal agent games
- Individual decision making: lottery choice
- Time preferences
- Auctions
- Bubbles
- Prediction markets
- Vertical market relations
-and more.