Experimental Economics
Department of Economics

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Textbook:

Course requirements:
Microeconomic theory and a working knowledge of Game theory.

Additional textbooks:

Course description:
While 20-30 years ago it was believed by most economists that economics was not an experimental science, this perception has changed dramatically. Today it is recognized by most economists that real lessons can be learned from undertaking experimental studies in economics, and experimental economics is taking its place alongside empirical studies as a necessary tool for the science of economics. While the number of pure experimentalists has risen remarkably over this period, the number of theorists and empiricists who “dabble” in experimental economics has risen even more drastically. Today, experimental evidence can be found in almost every issue of every major journal in economics, and in 1998 the first (but probably not last) journal devoted solely to experimental economics (called, appropriately enough “Experimental Economics”) was launched. In this course we will try to get an understanding of what types of contributions we can expect to reap from experimental economics, and how to design and run experiments in order to get the biggest bang for your buck.

The number of issues studied to date using experimental methods is far too large to include in a single course. Instead of trying, I will divide this course into two parts. In the first part of the course I will teach you the main findings in several of the more developed areas studied. In the second part of the course I will concentrate on a single area of experimental economics – tests of the predictions of game theory – and give a slower presentation of how the current state of knowledge was reached. The purpose of this latter part of the course is to give the student a feel of how research is done. The emphasis will be on how researchers (both theorists and experimentalists) internalized the lessons from prior experiments, and built on those lessons to further our understanding.

We will run some simple experiments in the classroom as the course proceeds, and compare the outcomes with those general found in larger subject pools. The rest of class time will be lectures, hopefully with a lot of interaction. The first (and only) time I heard a course in experimental economics was when I was a visiting Professor at NYU, and Professor Andrew Schotter (today the president of ESA, Economic Science Association, the organization of experimental economists) gave such a course. In one class I asked a question, which soon turned into an idea for a paper. We
planned, designed, and ran the experiment during the three months I was at NYU, and published it soon after. May you have as much luck with your questions!

You will be graded based on an exam at the end of the course. Below is a reading list for the course. This list is not comprehensive – there are literally thousands of published articles in experimental economics. The articles I list made, in my opinion, some of the most important contributions to experimental economics.

Enjoy the course!

Introduction – All About Experimental Economics

**DH** Chapter 1.


Individual Decision Making

**DH** Chapter 8.

**KR** Chapter pp. 67-85 (Al Roth), 587-590 (Colin Camerer).


Markets and Auctions

**DH** Chapters 3-5 (parts).


**GAME THEORY**


**Bargaining and Backward Induction**


**Coordination Games – Multiple Equilibria**


