

ECON 420 - Experimental Economics

SYLLABUS – Fall 2019

Instructor: Juan D. Carrillo

Time: MW 10:00 – 11:50

Class Location: KAP166

Contact Information: juandc@usc.edu

Office hours: Wednesdays 4.00pm-5.00pm in my office at KAP120C.

Course Information: www.jdcarrillo.org/teaching-ECON420.html

Teaching Assistant: Jingyi Tian (jingyiti@usc.edu)

Office hours of Teaching Assistant: TBA

Course description:

The objective of Experimental Economics is to test the validity of economic theories, detect departures from those theories and identify patterns of behavior useful to build new theories. Economic experiments replicate real-world incentives and are conducted either in the laboratory or in the field. The objective of this course is to review the main results obtained in experimental economics.

Learning objectives:

Students will learn why we test economic theories and how we collect data in the laboratory. Most sessions will be lectures and go over the literature. The class will review the main paradigms tested in the field in both individual decision-making settings and strategic environments.

Some classes will be designed as experimental sessions and students will be subjects in the experiment. These sessions are useful to demonstrate the difference between economic theoretical predictions and actual behavior. They will also illustrate the methodology economists use in the laboratory.

Formal prerequisites: ECON 303

Recommended requisite: ECON 317

Course notes: Grading type is letter grade.

- Participation: 10%
- In-class midterm: 35%
- In-class final: 40%
- Written final project (groups of four): 15%

Deadlines

- Last day to enroll and to drop class: September 13, 2019
- Last day to drop a class with a mark of W: November 15, 2019
- In-class midterm exam: Wednesday October 9, 2019 from 10:00am to 11:30am
- Final exam: Monday December 16, 2019 from 8:00am to 10:00am

Important: if an exam falls at a time that conflicts with your observance of a holy day, make sure to contact me before September 16 to schedule an alternative date (before the proposed one).

Classroom policy: Electronic communication devices (smartphones, blackberries, and similar) must be turned off or placed away during class. Likewise, you should not use instant messenger or similar chat programs during class.

Description of assignments: The mid-term exam will take place during class hours. In-class final will take place after studying period. They will consist of problems and course questions. The written final project (groups of four) is due on the last day of the semester (which is typically two days after the last session) and its objective is to design an experiment on a preselected topic. Students must formulate a hypothesis and think about a way of testing it using standard experimental economics methodology. The participation grade will depend on the quality of the interventions during the entire semester.

Readings: Course material (handouts) will be posted online at <http://www.jdcarrillo.org/teaching-ECON420.html>

Some weeks, students will have to prepare a reading in advance. Information will be posted online. These readings are meant to offer a background. The class will start with a discussion of the readings, then elaborate on the topic of the week. **Readings are mandatory.**

Main book (you can but do not have to buy it): Markets, Games & Strategic Behavior, C. A. Holt, Pearson Addison Wesley (2007)

Other recommended book: The Handbook of Experimental Economics, J. H. Kagel and A. E. Roth, Princeton University Press (1997).

Software: This year we will be running online games using **MobLab**. Students are required to register at www.moblab.com. The first week of class, students will receive an invitation to join the class. They will have to accept the invitation and pay the \$18 license fee for the semester. Students who do not enroll in MobLab will not be able to stay in the class. If you have questions, email me.

Web: Important information (readings, dates of exams, preparation material, etc.) will be posted on the web at www.jdcarrillo.org. Sorry, I do not use Blackboard. The most efficient way to communicate with me is by email (<juandc@usc.edu>). I never check my phone messages.

Course outline:

- Introduction
- Consistency of preferences – tests of rationality
- Theories of risk
- Objective and Subjective uncertainty
- Other regarding preferences
- Introduction to Game Theory
- Coordination games and Prisoner's dilemma
- Repeated games
- Limited strategic thinking: the beauty contest
- Trust and reciprocity
- Forward and backward induction
- Games of asymmetric information (1): the takeover game
- Games of asymmetric information (2): Auctions
- Market experiments
- Recent topics in experimental economics

Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to TA) as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. Website and contact information for DSP:

http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html, (213) 740-0776 (Phone), (213) 740-6948 (TDD only), (213) 740-8216 (FAX) ability@usc.edu.

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Information on intellectual property at USC is available at: <http://usc.edu/academe/acsen/issues/ipr/index.html>.