Module title			Abbreviation
Experimental Economics			12-M-EE-182-m01
Module coordinator		**Module offered by**	
Holder of the Chair of Labor Economics		Faculty of Business Management and Economics	
ECTS	**Method of grading**	**Only after succ. compl. of module(s)**	
5	numerical grade	--	
Duration	**Module level**	**Other prerequisites**	
1 semester	graduate	--	

Contents

Aim and outline of the course:

The Nobel Prizes for Daniel Kahneman and Vernon Smith 2002 and for Richard Thaler 2017 have underlined the increasing importance of experimental methods in economics. Experimental methods are used to collect data using randomization or a highly controlled environment. This course offers an introduction to the methodology of experimental economics and economic laboratory experiments.

In the methodology part it is shown why experiments are a good tool to generate scientific knowledge. Furthermore, widely used techniques in economic experiments are explained and how economic experiments differ from experiments in other social sciences. This part also deals with methods of reasoning, i.e. how inferences can be drawn from evidence that is generated by experiments.

The unifying theme of all laboratory experiments that will be covered is, understanding the behavior of agents, who produce and/or distribute goods by interacting with each other. The first topic is about markets and it includes experiments that shown under which conditions and institutions markets work very efficient and under which conditions and institutions they fail to yield a desirable outcome. The second topic includes experiments that look at the behavior of two agents, who bargain about the distribution of a common pie. On the basis of these results we will discuss experiments that try to explain bargaining behavior and show how agents deviate systematically from the neoclassical framework, i.e. the “homo oeconomicus”. The third topic deals with cooperation and institutions that support cooperation in the long run as equilibrium. Further, systematic evidence will be presented on how individuals can be classified in different cooperative types and how these types can explain economic outcomes in natural environments. The forth topic concerns reciprocity, a strong determining factor of human behavior that is nearly universal. We will cover experiments that show how reciprocity can enforce relational contracts in the absence of third party enforcement. Moreover, there will be a special emphasis on how reciprocity affects labor markets.

When time permits up to two additional topics will be covered. The first topic is about gender differences in competitiveness, risk-aversion and overconfidence. The second topic is about the elicitation of social norms.

Prerequisites: Participants should have a basic knowledge about microeconomics, game theory and econometrics.

Literature:

The course will be mainly paper based but the following books provide a good overview and complement the discussed papers.

- Dhami, S. (2016). The Foundations of Behavioral Economic Analysis. Oxford University Press.
- Guala, F. (2005). The Methodology of Experimental Economics. Cambridge University Press

In addition lecture slides will be provided.

Grading: Grading will be based on a presentation and a term paper.

Intended learning outcomes

The aim of the course is to familiarize students with the methodology experimental economics. Further, students will be enabled to understand how causal evidence can be obtained using controlled variation and how to generalize from results that are derived in artificial laboratory setting to more natural environments. Moreover, the course shall deepen students' understanding of human decision making in multi-agent settings and to make them aware of systematic heterogeneous human behavior in the production and distribution of goods.

Courses (type, number of weekly contact hours, language — if other than German)

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Module taught in: English

Method of assessment (type, scope, language — if other than German, examination offered — if not every semester, information on whether module is creditable for bonus)

a) written examination (approx. 60 minutes) or b) term paper (approx. 15 pages)
Assessment offered: In the semester in which the course is offered
Language of assessment: English
creditable for bonus

Allocation of places

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Additional information

Research track module in Master's programme IEP

Workload

150 h

Teaching cycle

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Referred to in LPO I (examination regulations for teaching-degree programmes)

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Module appears in

Master's degree (1 major) Management (2018)
Master's degree (1 major) International Economic Policy (2018)
Master's degree (1 major) China Business and Economics (2019)
Master's degree (1 major) China Language and Economy (2019)
Master's degree (1 major) China Business and Economics (2021)
Master's degree (1 major) China Language and Economy (2021)
Master's degree (1 major) Economathematics (2021)
Master's degree (1 major) International Economic Policy (2022)
Master's degree (1 major) Management (2022)
Master's degree (1 major) Economathematics (2022)
exchange program Business Management and Economics (2022)