

# Economía Experimental

## Curso 2008-09

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"Taking a course in experimental economics is a little like going to dinner at a cannibal's house. Sometimes you will be the diner, sometimes you will be part of the dinner, sometimes both." Ted Bergstrom and John Miller.

Efectivamente, tomar un curso de economía experimental es un poco como estar invitado a comer a casa de un caníbal. A veces eres el comensal, a veces pasas a formar parte de los manjares que se sirven y, a menudo, acabas siendo las dos cosas a la vez.

Si tomáis un curso de laboratorio en ciencias de la naturaleza, os pedirán que hagáis rodar bolas, diseccionareis la proverbial rana, o acabareis cubiertos de productos químicos. En todos los casos seréis siempre el experimentador, nunca el objeto del experimento. Es difícil imaginarse a un químico ocupando el sitio de un átomo de nitrógeno, o a un biólogo que estudia los reflejos de la rana, poniéndose en su lugar durante un ratito. En cambio el estudiante que tome este curso, será afortunado. En los experimentos que se hagan en clase será tanto un participante como un observador.

En los experimentos de este curso estudiaremos el comportamiento y las interacciones de la gente en situaciones interesantes desde el punto de vista económico. Y al ser tu mismo uno de estos agentes económicos que toma decisiones, vivirás de primera mano los problemas a los que se enfrenta un agente económico. Nuestra idea es que aprenderás sobre los principios de la economía -y sobre cómo hacer experimentos- tanto por haber participado en los experimentos como por el análisis de los experimentos que deberás realizar en tu capacidad de observador científico.

El curso admite un número máximo de 24 estudiantes que forman seis equipos de laboratorio. Si el número de solicitudes excediera el de plazas, la selección de los estudiantes se realizaría por méritos académicos.

## La mecánica del curso

Students in the Experimental Economics course will be instructed on the experimental method and its applications, and will have to design, perform and analyze two experiments, one of them original.

The course will be divided in two parts. During the first part we will show you how economists use the laboratory tools. For that purpose we will focus on some particular series of experiments in markets and industrial organization, bargaining, public goods, coordination, learning, neuroeconomics and individual decision-making. Students will be grouped in teams and every team will have to *replicate* and *analyze* in class one classical experiment. The presentation of the experiment in class should include a motivation, a complete description of the related literature and a careful comparative analysis of the results obtained in class.

During the second part of the course, every team will chose, in coordination with the course instructor, a topic to be experimentally explored. The experiment, this time an *original* one, will again be run and discussed in class. A complete paper on the experiment, with a motivated introduction, a description of the literature, results and conclusions including an indication of further research, plus an appendix with instructions, will have to be handed in no later than June 26th.

We expect that this course will help you to think about economics as an experimental science and to provide you with a working knowledge of techniques for conducting laboratory experiments in economics. Your grade will be based on your performance as an experimentalist, which means on your class participation, on how you run your experiments, on your class presentations, and on the term paper. Notice that there will be no exam in this course. This also means that there will be no exam in September. If you fail to work during the course, your course grade will be: fail, June and September.

You should be aware that I assume that you are familiar with the contents of *Experimental Methods: A Primer for Economists*, by Friedman and Sunder (1994). This is a short and basic book, very informative and easy to read. Some copies of the book are available in the UPF library.

The following is a more detailed Program of the course lectures. The rest of the scheduled time is devoted to your experiments and your analysis of your experiments as is described in the accompanying timetable.

## Programa y lecturas

Los artículos marcados con un \* son de lectura obligada. Normalmente, podéis acceder a la versión electrónica del artículo a través de la biblioteca. Si son capítulos de libros o artículos de difícil localización, podreis encontrar una copia en mi página web. Los libros *The Handbook of Experimental Economics* y *Handbook of Experimental Economics Results* se encuentra en la biblioteca y también en mi despacho.

Título: *Las reglas del juego*

Binmore, Ken (1999) "Why experiment in economics", *Economic Journal* 109, F16-F24.

Loewenstein, George (1999) "Experimental economics from the vantage point of behavioral economics", *Economic Journal* 109, F25-F34.

Roth, Al. E. (1994) "Let's Keep the Con Out of Experimental Econ.: A Methodological Note" <http://kuznets.fas.harvard.edu/~aroth/methods.html>

Roth, A. E. (1995), "Introduction to experimental economics", in Kagel, J., A. E. Roth, *The Handbook of Experimental Economics*, Princeton, 1-98.

Smith, V. (1982), "Microeconomic Systems as an Experimental Science", *American Economic Review*, December, 923-955.

\*Smith, V. (1992), *Experimental Methods in Economics*, UPF Working Paper, June.

Título: *Decisión individual*

Camerer, Colin (1995) "Individual decision making" in J. Kagel and A.E. Roth (editors), *Handbook of Experimental Economics*, Princeton University Press, 587-703.

Hey, John (2005) "Why We Should Not Be Silent About Noise", *Experimental Economics*, 8:325-345.

Kahneman, Daniel, and Amos Tversky (1979) "Prospect Theory: An analysis of decision under risk," *Econometrica* 47 (2), 263-291.

\*Richard H. Thaler, "The Winners Curse", Cap. 6, The Free Press 1992.

Wu, George, Jiao Zhang, and Richard Gonzalez (2004) "Decision under risk", *Blackwell Handbook of Judgment and Decision Making*, Nigel Harvey and Derek Koehler (Editor), Blackwell, Oxford.

Título: *Conflicto y cooperación; coordinación, puntos focales*

\*Poundstone, W. (1992) *Prisoner's Dilemma*, Doubleday, Ch. 6.

Selten, R and R. Stoecker (1986) End Behavior in Sequences of Finite Prisoner's Dilemma Supergames, *Journal of Economic Behavior and Organization* 7, 47-70.

Andreoni J. and J. H. Miller (1993), Rational Cooperation in the Finitely Repeated Prisoner's Dilemma: Experimental Evidence, *Economic Journal* 103, 570-85.

Axelrod, R. (1984) *The Evolution of Cooperation*, New York, Basic Books.

Van Huyck, J. B., R. C. Battalio, and R. O. Beil (1990), "Tacit Coordination Games, Strategic Uncertainty and Coordination Failure", *American Economic Review*, 80, 234-48.

Título: *Bienes públicos*

\*Isaac, R. M., K. McCue and C. Plott (1985), Public Goods Provision in an Experimental Environment, *Journal of Public Economics* 26, 51-74.

Ledyard, John O. (1995) "Public Goods: A Survey of Experimental Research" in Kagel, J., A. E. Roth, *The Handbook of Experimental Economics*, Princeton, 111-181.

Título: *Dictadores, ultimátums, altruismo y reciprocidad*

\*Binmore, Ken (2007) Economic Man – or Straw Man? A Commentary on Henrich et al., Economics Department, University College London.

Gueth, W., R. Schmittberger, and B. Schwarz (1982), "An Experimental Analysis of Ultimatum Bargaining", *Journal of Economic Behavior and Organization*, 3, 367-388

Roth, Alvin et al. (1991), "Bargaining and Market Behavior in Jerusalem, Ljubljana, Pittsburgh, and Tokyo: Some Experimental Evidence". *American Economic Review* 81, 1068-1095.

Roth, A. E, J. K Murnighan and F. Schoumaker (1988), "The Deadline Effect in Bargaining: Some Experimental Evidence", *American Economic Review* 78, 806-823.

Prasnikar, V. and A. Roth (1992), "Considerations of Fairness and Strategy: Experimental Data from Sequential Games", *Quarterly Journal of Economics*, 865-888.

\*Camerer, C. and Thaler, R. (1995) "Anomalies: Ultimatum, Dictators, and Manners", *Journal of Economic Perspectives* 9 (2), 209-219.

Título: *Mercado de trabajo, incentivos, salarios, contratos*

Fehr Ernst, Simon Gächter and Georg Kirchsteiger (1997) "Reciprocity as a Contract Enforcement Device", *Econometrica*, 65:4, 833-60.

Fehr Ernst and Armin Falk (1999) "Wage Rigidity in a Competitive Incomplete Contract Market" *Journal of Political Economy* 107, 106-34.

\*Fehr, Ernst and Simon Gächter (2000), "Fairness and Retaliation: The Economics of Reciprocity", *Journal of Economic Perspectives* 14 (3): 159-181.

Título: *Organización de mercados*

\*Smith, V. (1982) "Markets as Economizers of Information: Experimental Examination of the Hayek Hypothesis", *Economic Inquiry*, April, 165-179.

Holt, Charles A. (1995), "Industrial Organization: A Survey of Laboratory Research", in Kagel, J., A. E. Roth, *The Handbook of Experimental Economics*, Princeton, 349-435.

\*Holt, Charles A., L. Langan y Anne P. Villamil (1986) "Market Power in Oral Double Auctions", *Economic Enquiry*, January 1986, 107-123.

Gode, D. and S. Sunder (1993) "Allocative Efficiency of Markets with ZI Traders", *Journal of Political Economy*, 119-37.

Título: *Razonamiento iterativo, neuroeconomía/geneconomía*

Bosch-Domènech, Antoni, José G. Montalvo, Rosemarie Nagel and Albert Satorra (2002) "One, Two, (Three), Infinity, ...: Newspaper and Lab Beauty-Contest Experiments", *American Economic Review* 92 No. 5, 1687-1701.

Alan G. Sanfey, James K. Rilling, Jessica A. Aronson, Leigh E. Nystrom, Jonathan D. Cohen (2003) "The Neural Basis of Economic Decision-Making in the Ultimatum Game", *Science* vol. 300, 13 June, 1755-1758.

Camerer, Colin F.; George Loewenstein; and Drazen Prelec (2005) "Neuroscience can inform economics", *Journal of Economic Literature* Vol. 43, No. 1, March.

Ming Hsu, Meghana Bhatt, Ralph Adolphs, Daniel Tranel, and Colin F.

Camerer (2005) 'Neural Systems Responding to Degrees of Uncertainty in Human Decision- Making' *Science* : Vol. 310. no. 5754, 1680 – 1683.

Ernst Fehr, Urs Fischbacher and Michael Kosfeld “Neuroeconomic Foundations of Trust and Social Preferences”, *American Economic Review - Papers & Proceedings* 95 (2005), 346-351.

Título: *Mercados de activos: burbujas*

Sunder, Shyam (1995) "Experimental Asset Markets: A Survey", in Kagel, J., A. E. Roth, *The Handbook of Experimental Economics*, Princeton, 445-495.

Plott, Charles R. (2000) “Markets as Information Gathering Tools”, *Southern Economic Journal*, 67 (1), 1-15

\*Smith, Vernon L., Gerry L. Suhanek and Arlington W. Williams (1988), "Bubbles, Crashes, and Endogeneous expectations in Experimental Spot Asset Markets", *Econometrica* 56(6), 1119-52.

Lei, Vivian, Charles N. Noussair and Charles R. Plott (2001), “Non-speculative Bubbles in Experimental Asset Markets: Lack of Common Knowledge of Rationality vs. Actual Irrationality”, *Econometrica*, Vol 69, No. 4, 831-859.

Título: *Subastas*

\*Kagel, John H. and Dan Levin (1986) "The Winner's Curse and Public Information in Common Value Auctions", *American Economic Review*, December, 894-920.

Kagel, J. H. (1995) "Auctions: A Survey of Experimental Research" in Kagel, J., A. E. Roth, *The Handbook of Experimental Economics*, Princeton, 501-557.

Cox, J., V. Smith and J. Walker (1988) "Theory and Individual Behavior of First Price Auctions", *Journal of Risk and Uncertainty* March, 61-99.

Harrison, G. (1989) "Theory and Misbehavior in First Price Auctions", *American Economic Review*, September, 749-762.

**Tus notas dependerán de diferentes factores:**

- 1. Participación en clase**
- 2. Resultado del examen de mitad de curso**
- 3. Calidad de la replicación del experimento clásico y de la presentación hecha en clase**
- 4. Interés, originalidad y realización del experimento original y de la presentación hecha en clase**
- 5. Calidad del trabajo escrito.**

**No hay que decir que, al no haber examen en junio, tampoco lo hay en septiembre.**

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