Department of Economics

Hacettepe University

**ECO 663 Experimental Economics**

*Fall 2015/2016*

**Course Information**

**Instructor** Dr. Shihomi Ara-Aksoy

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**Time/Place Fridays 9:00 – 11:45 @ Seminar Room**

**Office Hours:** Tuesdays 15:45 - 16:45, Fridays 12:30 - 13:30

**Course Website: http://yunus.hacettepe.edu.tr/~sara, http://www.shihomiaksoy.org**

**Course Description**

The objective of this course is to introduce experimental methods in economics to better understand economic behaviors and decision makings of individuals. The course is divided into two parts. In the first part, some major concepts (prospect theory, anomalies and heuristics) from behavioral economics will be discussed. In the second part, the methodologies of experimental economics will be introduced, including applications and implementations of economic experiments. Some controversial points such as "economic theories and findings from experiments" and "generalization of experiments' outcome" will also be discussed. Data analysis of economic experiments will be reviewed together with an introduction of new application for the analysis. In order to obtain a "hands-on" experience, students are required to complete our course project: designing, implementing and analyzing an economic experiment.

**Course Objectives** Upon the successful completion of this course, students are expected to understand the role of experiments to better understand individual behaviors from the perspective of behavioral and experimental economics, understand the strength and weakness of the lab-experiments, understand the design and implementation of the experiments and be able to analyze the outcomes of experiments statistically in order to answer research questions.

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| 1. | Report I | 20% |
| 2. | Report II | 20% |
| 3. | Final Exam | 30% |
| 4. | Presentation I | 10% |
| 5. | Presentation II | 10% |
| 6. | Attendance | 10% |

**Course Requirements**

Report I: 1) A brief description of the selected research topic and brief idea for the experiment.

2) Literature review of three most related articles with experiments.

Report II: 1) Detailed description of your original experiment.

(Methodology, participants, procedures, instructions etc.)

2) Data analysis and results.

3) Findings and implications.

Presentation I: Present the contents of Report I.

Presentation II : Present the contents of Report II.

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| Week | Date | Topics |
| 1 | Sep. 18 | Introduction |
| 2 | Sep. 25 | **No Class** |
| 3 | Oc. 2 | Behavioral Economics (1): Anomalies |
| 4 | Oct. 9 | Behavioral Economics (2): Anomalies/Heuristics and Biases |
| 5 | Oct. 16 | Behavioral Economics (3): Heuristics and Biases |
| 6 | Oct. 23 | Behavioral Economics (4): Prospect Theory |
| 7 | Oct. 30 | Experimental Economics: An Overview |
| 8 | Nov. 6 | Experimental Design (1) |
| 9 | Nov. 13 | Experimental Design (2) |
| 10 | Nov. 20 | Implementation of Experiments |
| 11 | Nov. 27 | Data Analysis (1) |
| 12 | Dec. 4 | Data Analysis (2) |
| 13 | Dec. 11 | Applications of Experiments (1) |
| 14 | Dec. 18 | Applications of Experiments (2) |
| 15 | Dec. 25 | **Project Presentation** |

References:

For Behavioral Economics,

1. Daniel Kahneman (2000). Choices, Values and Frames. First edition. Cambridge University Press.
2. Daniel Kahneman (2011). Thinking, Fast and Slow. New York: Farrar, Straus and Giroux.
3. Dan Ariely (2010). Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That

Shape Our Decisions, Harper Perennial.

1. Thaler, R.H., Sunstein, C.R. (2008) Nudge Improving Decisions about Health, Wealth and

Happiness, Yale University Press, London.

For Experimental Economics,

1. John H. Kagel and Alvin E. Roth "The Handbook of Experimental Economics" Princeton University Press, Princeton, New Jersey, 1995.

2. Guillaume R. Frechette and Andrew Schotter (edited) "Handbook of Experimental Economic Methodology". Oxford University Press, 2015.

3. Daniel Friedman and Alessandra Cassar " Economics Lab: An Intensive Course in Experimental Economics", Routledge, 2004.

4. Daniel Friedman and Shyam Sunder "Experimental Methods: A Primer for Economists". Cambridge University Press, 1994.

Key articles will be posted on the course webpage as well.