

ResEc 462 – Experimental Economics: Strategy and Behavior (3 credits)
Spring 2020

John Spraggon
224 Stockbridge Hall
(413) 545-6651
jmspragg@resecon.umass.edu

Course Time: TuTh 2:30-3:45 PM
Location: Flint Lab 103
Stockbridge 306
Office hours: By appointment

Course Web Page through MOODLE

Course Purpose and Objectives

The purpose of this class is to introduce the methodology of experimental economics and discuss what we have learned from the application of these techniques. Economics is fundamentally the study of how individuals, firms and governments allocate scarce resources. This involves decision making which is the focus of experimental economics. The techniques of Experimental Economics are used for a myriad of purposes. Roth (1995) in the introduction to the *Handbook of Experimental Economics* categorizes these as “Speaking to Theorists”, “Searching for Facts”, and “Whispering in the Ears of Princes” (p. 22). We will focus on “Speaking to Theorists” – how the decision making of real economic agents relates to theory and the implications for public policy “Whispering in the Ears of Princes”. When students complete this class they will be expected to understand how individuals make decisions in a wide range of situations. Students will understand the importance of taking into account preferences for altruism, fairness and reciprocity to the predictions of standard theory and also be able to identify situations where these preferences are important and when they are overshadowed by factors such as competition.

Textbooks

The course material will be drawn from a variety of sources. Charles A. Holt’s *Markets, Games, & Strategic Behavior* 2nd Edition (2019) will be the primary text.¹ There are three other text books that I would recommend particularly for students who intend to run experiments as part of a Master’s or PhD. Colin Camerer’s *Behavioral Game Theory* (2003), Kagel and Roth’s *The Handbook of Experimental Economics* and Friedman and Sunder’s *Experimental Methods* (1994).

Grading

There will be a midterm exam a number of problem sets and a final exam. Below is a breakdown of how your grade will be determined:

Midterm 1 Grade	25%
Midterm 2 Grade	25%
Final Exam	25%
Participation/Learning Journal/Chapter Quiz ²	25%

Minimum grade cutoffs: 95=A; 85=A-; 80=B+; 75=B; 70=B-; 65=C+; 60=C; <60=F.

¹ The first edition from 2007 will likely be fine.

² Learning Journals are marked out of 6, and are due electronically BEFORE the start of the Thursday classes. If I do not receive them BEFORE I mark them there will be an automatic 1 mark (20%) penalty. We will also do an multiple choice quiz at the start of the Thursday lectures.

Participation

Please notice that the weight on participation is the same as the weight for the midterms and final. This is to emphasize the importance of participation in this course. The Tuesday lectures will typically take place in the experimental economics lab (STK 301) and will involve your participation in various experiments. Your participation in these sessions is fundamental to your understanding of the material and your impressions of the experiment will be a vital part of the discussions in the Thursday meetings. The participation mark is both for showing up (on time) and participating in the lab sessions as well as participating in classroom discussions. In addition you will be required to keep a journal of your experiences in the lab. The entry for each lab will be due at the beginning of the Thursday class following the lab. This journal entry is to describe what you thought about the experiment and discussion of why you made the choices you did after completing the instructions, during the actual rounds of the experiments and then after the experiment was completed and you have had some time to think about it and read the chapter. The reason for this is that standard behavior in many of the experiments we will conduct seems irrational once we consider the theory underlying the experiment. In general experimentalists believe that people are not behaving irrationally but rather the model is missing something. Keeping track of your experience and understanding will help us to discuss why the results from experimental sessions differ from the predictions of theory. We will also do a short multiple choice quiz at the start of each lecture to incentivize you to read the chapter ahead of time.

Civility inside the Classroom

Students are expected to assist in maintaining a classroom environment that is conducive to learning. In order to assure that all students have the opportunity to gain from time spent in class, I propose certain basic standards of classroom respect be adhered to. Respect does not eliminate appropriate humor, enjoyment, or other indications of a comfortable and pleasant classroom community. However, there is an expectation that all participants in this course will:

- Display respect for all members of the classroom community: your instructor, TAs and fellow students.
- Attend and participate in lectures, group discussions, and other classroom activities.
- Avoid unnecessary disruptions during class such as private conversations, reading newspapers, speaking on cell phones, using a laptop for something other than current classroom work, arriving late or leaving early, eating, drinking, and sleeping during class.
- *Please wait for the class to be formally dismissed before you start to pack up your things or get up to leave.*
- Avoid negative language that is considered racist, sexist, or homophobic or in other ways may exclude members of our campus and classroom community.

Accommodation Statement

The University of Massachusetts Amherst is committed to providing an equal educational opportunity for all students. If you have a documented physical, psychological, or learning disability on file with Disability Services (DS), you may be eligible for reasonable academic accommodations to help you succeed in this course. If you have a documented disability that requires an accommodation, please notify me within the first two weeks of the semester so that we may make appropriate arrangements.

Academic Honesty Statement

Since the integrity of the academic enterprise of any institution of higher education requires honesty in scholarship and research, academic honesty is required of all students at the University of Massachusetts Amherst. Academic dishonesty is prohibited in all programs of the University. Academic dishonesty includes but is not limited to: cheating, fabrication, plagiarism, and facilitating dishonesty. Appropriate sanctions may be imposed on any student who has committed an act of academic dishonesty. Instructors should take reasonable steps to address academic misconduct. Any person who has reason to believe that a student has committed academic dishonesty should bring such information to the attention of the appropriate course instructor as soon as possible. Instances of academic dishonesty not related to a specific course should be brought to the attention of the appropriate department Chair. Since students are expected to be familiar with this policy and the commonly accepted standards of academic integrity, ignorance of such standards is not normally sufficient evidence of lack of intent (http://www.umass.edu/dean_students/codeofconduct/acadhonesty/).

Course Outline – This Calendar is preliminary and is subject to change as we progress through the course.

Date	Topics	Chapters	Notes
Tuesday Jan 21	Introduction: Decisions Game Theory and Market Equilibria	Chapter 1	
Thursday Jan 23	Pit Market	Chapter 2	Classroom
Tue Jan 28	Simple Games: Prisoner's Dilemma, Coordination, Guessing		Lab (Stockbridge 301)
Thur Jan 30	Discussion of Pit Market and Simple Games	Chapters 2 & 8	Classroom
Tue Feb 4	Randomization Matching Pennies, BoS, Multi-Stage Games		Lab (Stockbridge 301)
Thur Feb 6	Discussion	Chapters 2, 8, 9, 10	Classroom
Tues Feb 11	Markets: Monopoly and Cournot		Lab (Stockbridge 301)
Thurs Feb 13	Discussion	Chapters 20	Classroom
Tues Feb 18	MONDAY CLASS SCHEDULE		
Thurs Feb 20	MIDTERM 1	Chapters 1,2, 8, 9, 10, 20	Classroom
Tues Feb 25	Ultimatum Bargaining		
Thurs Feb 27	Discussion	Chapter 14	Classroom
Tues Mar 3	Trust, Reciprocity and Principal Agent Games		Lab (Stockbridge 301)
Thurs Mar 5	Discussion	Chapters 15	Classroom
Tue Mar 10	Methodology	Chapter 13	Classroom
Thurs Mar 12	Methodology	Chapter 13	Classroom
Tues Mar 17	BREAK WEEK		
Thurs Mar 19			

Tue March 24	Voluntary Contributions		Lab (Stockbridge 301)
Thurs March 26	Discussion	Chapters 16	Classroom
Tue Mar 31	Externalities, Congestion and Common Pool Resources		Lab (Stockbridge 301)
Thurs April 2	Discussion	Chapter 17 & 18	Classroom
Tue Apr 7	Catch up		
Thurs Apr 9	MIDTERM 2	Chapters 1, 14, 15, 16, 17, 18, 26 & 27	Classroom
Tue Apr 14	Common-Value Auctions- The Winner's Curse		Lab (Stockbridge 301)
Thur Apr 16	Discussion	Chapter 26, 27	Classroom
Tue Apr 21	Risk and Decision Making (Lottery Choices) Lottery Choice Anomalies, Bayes Rule		Lab (Stockbridge 301)
Thur April 23	Discussion	Chapter 3, 4, 5, & 6	Classroom
Tue April 28	Review and Wrap-Up		
	FINAL		