

Master Seminar Behavioral and Experimental Economics

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Overview

Economic experiments are decision making experiments, in which the experimenter controls the economic incentives, a method based on induced value theory. Experiments are usually interactive; therefore, they often implement a game. It is the task of the experimenter to setup the game and to find suitable parameters for the experiment.

In this seminar, you will develop an economic experiment in a group of two people. In May, we will discuss the design of the experiments, then you have time to conduct it and in July, we will discuss the results. The topic of the experiment is open. Below you find some ideas that you can use as starting points for your own experiment.

Requirements

- Talk of 60-70 minutes; participation in the discussion.
- Seminar thesis of 15 to 20 pages. For the grade, the talk values 40%, oral participation 10 % and the thesis 50%.

Required knowledge

- Good knowledge of game theory.
- A lecture on economic experiments (or behavioral economics) is helpful

Schedule

Preliminary meeting and introduction: Friday, 12. Feb. 2021, 10:00, online.

13./14. May 2021, 8:30-17:30, online or TWI, Hafenstrasse 6, CH-8280 Kreuzlingen.

2. July 2021, 8:30-17:30, TWI, Hafenstrasse 6, CH-8280 Kreuzlingen, or online.

How to develop ideas for Experiments

There are (at least) three sources of inspiration. You observe a phenomenon that you like to understand. The current Covid pandemic could provide examples, e.g. what makes people follow rules? When are recommendations better than formal rules? You can be interested in empirical results and study whether phenomena transfer to other contexts. This includes experiments that test whether empirical results are robust with respect of the specific parameters. Finally, you could base your experiment on theory and investigate whether the predictions of a theory are robust. Examples are violations of the selfishness assumption, or violations of the more general assumption that people care only about the outcomes, which has shown the importance of intention.

Often, economic experiments work with induced values, i.e., they induce values and costs using money. It is also valid, and interesting, to use more real values and cost. Social preferences and intrinsic motivation in an interesting task are examples of non-monetary values, real effort task induce non-monetary cost. Similarly, heterogeneity can be induced but also the natural heterogeneity can be used, for example in the form of different ability.

We will discuss how to develop ideas also in the preliminary meeting

Specific ideas (you are not restricted to these ideas)

“Noisy” Replication. You use an existing experimental study as a starting point and try to replicate it. Try to think about an interesting variation of the experiment. What change of the parameters could change the results?

Fairness. There are many fairness standards. Can people be influenced to use specific fairness standards? What are fair compensation for losses in a lockdown?

Social norms. A social norm can be considered as a behavioral regularity that rests on a common belief of how one should behave and is enforced by informal sanctions. Haidt (2007) suggests a classification of norms and Krupka and Weber (2013) developed a method to measure how people assess social norms. This raises for example the question about heterogeneity in the relevance of different norms.

Social influence. There are many reasons why people do what others do, e.g., social preferences conformity, social learning. Think about what distinguished these forms of “copying” and develop an experiment that allows distinguishing between these forms.

Decisions in networks. So far there is not much evidence on how decisions are made when the group structure is more complex.

Aggregation of information. How can information be aggregated? The price is an economic mechanism but social influence also aggregates information. When does such a mechanism work and when not?

Transfer of information. How is information transmitted? How to incentives shape the transfer and how do preferences for information sharing differ?

Cultural variation. How and under what conditions does social influence create distinct cultures?

References

Haidt, Jonathan. 2007. "The New Synthesis in Moral Psychology." *Science*, 316(5827), 998-1002.

Krupka, Erin L. and Roberto A. Weber. 2013. "Identifying Social Norms Using Coordination Games: Why Does Dictator Game Sharing Vary?" *Journal of the European Economic Association*, 11(3), 495-524.