Experimental Economics (EC4230/EC8230)
Dr. Susan K. Laury
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Class Meetings: Most class meetings will be held in the Experimental Economics Laboratory, located in the College of Business Building, room 1442.

Office Hours: by appointment.

Course Description: This course will introduce students to economics experiments, and give them the tools and concepts needed to both evaluate and conduct economics experiments. In this sense the course fulfills two objectives: to encourage students to think about the empirical and policy implications of the economic theories taught in other classes and to teach skills that may be used to conduct empirical analysis (using laboratory and field data). Class time will be spent talking about issues related to experimental design, and how lines of research are developed. Readings that go into detail about experiments will supplement the lectures.

Textbook and Other Material: There is no assigned text for this class. The course will be centered on assigned readings (primarily journal articles and some survey articles). These articles will be available online, or you can check copies out from me to copy. Graduate students may want to buy a copy of *The Handbook of Experimental Economics* (John H. Kagel and Alvin E. Roth, editors), 1995, Princeton University Press.

Method of Instruction: Lecture, discussion, readings, writing assignments, and in-class presentations.

Evaluation: Grades will be based on each of the following assignments:
- Participation and Attendance (10 percent)
- Writing Assignments (20 percent)
- In-Class Presentation of a Research Article (10 percent)
- Design of a Research Experiment (25 percent)
- Critique of Experimental Design (10 percent)
- Final Project (25 percent)

Participation and Class Attendance – Participation in discussions and in-class experiments will be a vital part of this course. If near-perfect attendance is not part of your routine, this is not the class for you. Those signed up for EC8230 will be expected to take more of a lead in class-discussions, but the active involvement of all class members is essential for the success of this course.

Writing Assignments – You will have to turn in several summaries of the assigned readings. Specific instructions will be provided with your first writing assignment, and is expected to be between two and three double-spaced typed pages. Students enrolled in EC4230 will turn in three summaries, and those signed up for EC8230 will turn in six summaries. In addition, I will
assign a paper for each student to critique. EC4230 students will write one critique, and EC8230 students will write two critiques.

**In-Class Presentation of a Research Article** – I will assign you to groups of two or three students in order to lead the classroom presentation and discussion of one of the assigned readings. On this day, it will be your job to present the key findings of the paper and to relate it to the overall theme of the course. The active participation of all group members is required, but the graduate (EC8230) student assigned to the group will be expected to serve as a resource person and take the lead in preparations for the class.

**Design of a Research Experiment** – Over the course of the semester, you (as part of an assigned group) will be asked to design an experiment that could be conducted in the lab. You will be assigned to groups of two or three students, and asked to develop an idea for an extension to an existing experimental design. Your group will turn in an experiment design that contains the following elements:
- motivation for the extension and hypotheses to be tested
- a specific experimental design (as we progress during the course we will think about what constitutes the experimental design)
- participant instructions

A rough-draft of this will be due shortly after Spring Break, and will count as 5 percent of your final grade. You will receive feedback on this draft, and incorporate it in a final draft, worth 15 percent of your final grade. Your group will present the experimental design to the class; this presentation will count as 5 percent of your final grade.

**Critique of Experimental Design** – Each of you will be asked to review and critique another student’s rough-draft of the experimental design. You will provide two or three pages of written feedback, commenting on the strengths and weaknesses of the experimental design (and include suggestions for improvement).

**Final Project** – You will be given a list of potential final projects. This project will be due at the regularly scheduled final exam time.

**EC4230 Students** – You will summarize and synthesize at least three papers on a specific topic.

**EC8230 Students** – You will perform new analysis on currently-existing experimental data (this may include a comparison of data from lab experiments with data obtained in lab sessions). This written project must contain a literature review, a description of the experimental procedures used, new data analysis, and conclusions.
Course Outline: This is meant to give you a general idea of the topics that we will cover. Specific reading assignments will be given in class at least one-week prior to their due-date. I expect the topics that we cover to evolve based on the interests of the class.

1. Introduction
2. Contingent valuation experiments;
3. Individual decision making
4. Bargaining and ultimatum experiments
5. Auction experiments: posted offer, double auction, and asset markets
6. Games in experiments
7. Public goods
8. Altruism, Fairness, and Errors
9. Reconciling diverse results