

# Seminar in Experimental Economics for Bachelor Students Summer Term 2016

---

In this course on experimental economics, we test models of individual and market behaviour in the laboratory. Learning by studying data from experiments is a good way to better understand how people make choice in risky situations, how they decide to trust others and cooperate, and how they play strategic games. We also learn how markets operate, how prices are set in auctions, what drives fluctuations of prices in stock markets, when and how firms can cooperate to raise prices (collusion), whether markets aggregate information efficiently, etc...

We compare the theory to the actual behaviour of participants in artificial laboratory environments in order to see if the theory predicts behaviour well, and understand why and how the theory gets it wrong.

Each participant is required to make a presentation and hand in a seminar paper on one of the topics listed below. Each theme corresponds to one chapter in the book:

**„Markets, Games, & Strategic Behavior“,**  
by Charles A. Holt,  
Pearson Addison Wesley, 2007

Maximum number of participants: 15

Language: English (Essay: German or English)

**Dates:**

First meeting: Thursday, 14.04.2016, 14:30, Room: T0.133

Topic assignments: Topics will be assigned in the first meeting or by email later on.

Deadline to enrol (and withdraw): Up to 21.04.2016 in FlexNow or email to [alexia.gaudeul@wiwi.uni-goettingen.de](mailto:alexia.gaudeul@wiwi.uni-goettingen.de)

Seminar: 13.05.2016 14:00 -- 16:00, Room: T0.132  
20.05.2016 14:00 -- 16:00, Room: T0.132  
27.05.2016 14:00 -- 16:00, Room: T0.132

Deadline for seminar papers: 20.06.2016 (Online upload on Stud.IP)



**Themes:**

1. How do people react to risk: Risk and decision making (Chapter 4)
2. Can people play at random? Randomized strategies (Chapter 5)
3. Monopoly and Cournot markets (Chapter 6)
4. Collusion and price competition (Chapter 9)
5. Market failures due to unraveling: Lemons and matching markets (Chapter 10)
6. Asset markets and price bubbles (Chapter 11)
7. Ultimatum Bargaining (Chapter 12)
8. Trust, Reciprocity and Principal-Agent Games (Chapter 13)
9. Voluntary Contributions to Public Goods (Chapter 14)
10. Private Value Auctions (Chapter 19)
11. Common Value Auctions and the Winner's Curse (Chapter 21)
12. Probability Matching and Belief Learning (Chapter 27)
13. Decision under Risk and Lottery Choice Anomalies (Chapter 28)
14. Do people learn and do they follow Bayes' Rule (Chapter 30)
15. Can markets predict the future? Prediction markets (Chapter 34)

You need to choose one of the themes above. Your essay and presentation should focus on just one well-defined and specific issue that is mentioned in the chapter or even on just one of the article that is referenced in your chosen chapter. You should broaden your search beyond reading the chapter to investigate how your theme has been studied in experiments by economists.

Academic articles are referenced by name and year in the chapter (e.g. Holt, 1986) and the full reference of the papers are available at the end of the book, pages 433-450. You then simply need to search for the paper with Google or with the help of library staff. In case of problems, please contact the seminar leader.

Further general references that you may use to situate your work include:

- The Handbook of Experimental Economics, J. Kagel and A. Roth, eds., Princeton University Press.
- Normann, H.-T., Ricciuti, R., 2009. Laboratory Experiments for Economic Policy Making. Journal of Economic Surveys 23, 407-432. <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6419.2008.00567.x/abstract>

***Guidelines for presentations:***

Your presentation of your chosen theme should consist of the following parts:

Presentation of the aims of the research undertaken in this area and of the basic models that are tested in the experiments

Description of the design and of the findings of the experiments

Overview of and comparison with related experimental and theoretical literature

Discussion about the findings, their robustness, generalizability, relevance, lessons for policy making and applicability to real world situations.

***Guidelines for essays:***

The essay puts the presentation in writing. It goes over the same themes as the presentation, but has to be more detailed, well referenced, with full sentences and clear explanations. Your goal is to prove a good understanding of the theory that was tested, of the reasons for running the experiment, of how it was run, of what were its findings, and why they matter.