Overview and Objectives

Incentivized laboratory and field experiments have become a major area of research in economics and it is slowly emerging as a very useful tool in quantitative marketing. Its basic premise is that all good economic theories can be testable in a controlled laboratory or field setting. In fact, one may argue that some economic theories (e.g., theories of refinement in games) can only be tested experimentally. This course surveys some classics of experimental economics and discusses some of its recent developments. We will initially focus on laboratory experiments and then move on to field experiments. The objective of this course is to be able to design good economic experiments.

The course is primarily designed for second-year PhD students in Marketing (quantitative stream) and Economics. One is expected to have taken the first-year sequence of microeconomics for PhD students (ECO 2020H and 2030H for U of T students) or for master students. Basic knowledge of game theory and its applications
(e.g. auctions) will be assumed. Nevertheless, PhD students from other disciplines at Rotman or U of T who do not have those perquisite courses are welcome to attend. Please talk to me as soon as possible (and definitely by the end of the first lecture) in that case.

There will be ten three-hour long lectures in this reading course. In lecture 1, I will provide an introduction to experimental methods. From lecture 2, we will cover two or three papers in each class. These papers will be presented by you.

Assessment:

You will be assessed through three components in this course—class presentation, a referee report, and an experimental design exercise. Everyone who attends the course, including those who are not taking the course for credit, must present at least one paper (most likely more, depending on attendance). From lectures 2 to 11 (other than lecture 8 in the lab), two students will present one (set of) paper(s) each on each lecture day. I expect well prepared presentations, typically with slides. You have to email me your slides before or right after the class.

Those who take the course for credit, will also write a referee reports for a recent experimental paper that I will provide. The final component will be designing an experiment. You should consult with me to choose an economic question that you want to test experimentally. Then you will design an experiment for this and submit experimental instructions for that. These details will be finalized later.

Outline of the Course

* Denotes a paper that will likely be covered in class

This list is tentative as the final list may change due to research interest of the students

Lecture 1 (September 11): Motivation and Overview of Experimental Methods and Some Classics
Charles Holt and Arthur Schram, Editor’s Preface, Experimental Economics, Vol 1, Issue 1 (Available through the website of Experimental Economics)


Friedman and Cassar, Chapter 2, “Economists go to the Laboratory: Who, what, when, and why,” Economics Lab


Lecture 2 (September 18): Bargaining, Trust, and Dictator Games


**Lecture 3 (September 25): Public Goods**


**Lecture 4 (October 2): Coordination and Social Preference**


**October 9: Thanksgiving, NO CLASS!**
Lecture 5 (October 16): Empirical Alternatives to Nash Equilibrium and Learning


Lecture 6 (October 23): Risk Preference and Belief Elicitation & Formation


Lecture 7 (October 30): Auctions – Lab and Field
Friedman and Cassar, Chapter 9, “Auctions,” Economics Lab


Lecture 8 (November 6): Lab Session at UTM

Lecture 9 (November 13): Field Experiments – Experiments in Markets


**Lecture 10 (November 20): Field Experiments – Incentive Effects and Charitable Giving**


**Lecture 11 (November 27): Field Experiments – Development / Policy/ Others**


