Course coordinator
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Credit Points: 12.5

Prerequisites: Intermediate Microeconomics (316-202)

Class Hours: Monday 14:15 – 15.45 (The Spot, Room 310)
              Friday 11.00 – 12.30 (The Spot, Room 310)
Office Hours: Monday 3:45 - 5:00, FRInesday: 3:45 - 5:00

Subject Description
Experimental Economics is a branch of Economics that uses controlled experiments to evaluate theories and behavioural assumptions, as well as to test policies and their implementation. The course will introduce students to experimental methods as applied in Economics and will present key findings from laboratory experiments. During the course, students will revisit some topics familiar to them from previous years (mostly from Microeconomics – such as bargaining, public goods, competitive markets), introduce some new topics (e.g. auctions, behavioral game theory), and evaluate the predictive power of the different economic theories.

The first lecture of each week will be devoted to running experiments where students will experience different economic situations. The second lecture will present the theories underlying the experimental games and will use the experimental data from the first lecture (as well as other experimental data) as a vehicle for discussion. By comparing actual individual behavior to the theoretical predictions, the course aims to provide a deep understanding of behavior in a variety of economic settings - for example markets with price controls, markets for trading long-lived assets and auction markets. Students will learn to evaluate models and test the empirical validity of these models. Students will also learn how individuals interact in non-market settings such - for example in situations bargain with one another or must provide to public goods voluntarily.

Course Aims and Philosophy:
The aim of the course is to (a) introduce students to laboratory experiments as a method for empirical investigation, (b) offer a more nuanced view of economics and learn how to combine theory and empirics to better understand economic systems, (c) revisit well-known topics in economics and evaluate the predicted
power of theory, and (d) learn some of the core results that experiments have given us.

The nature of Economics requires that students are often taught at a high level of abstraction. This can make it difficult for students to understand the link between what they are taught and the every-day world. Students are sometimes asked to understand textbook theories on problems they never actually experienced (e.g. how do competitive markets operate, why do governments provide most public goods, or why are bubbles formed in the stock market) and which are based on unrealistic behavioral assumptions (e.g. all people selfish and fully rational). This can hinder learning. With its hands-on approach and the juxtaposition of data and theory, the course will give students a chance to obtain a deep understanding of the topics covered.

Textbook:
The main textbook will be Charlie Holt’s (2007) "Markets, Games, and Strategic Behavior", Pearson Education Inc. All students are encouraged to purchase a copy. In addition, I will be using articles and chapters from other textbooks.

One book I will be using is Dan Friedman’s and Shyam Sunder’s (1994) “Experimental Methods: A Primer for Economists”, Cambridge University Press.

This book is very useful for those who are interested in conducting experiments for their Honour’s degree or PhD thesis.

The following books are also recommended for the interested:

Colin Camerer (2003), Behavioral Game Theory, Princeton University Press.

While I will not be using these books, they provide an overview of research done in experimental economics. They are essential for those who are serious about using experimental economics as a research tool.

Course Assessment:
A two-hour end of semester examination (60%), a presentation of a recent paper using controlled experiments (30%), and assignments equivalent to 1000 words (10%).
Course Outline:

Week 1
Introduction to Experimental Economics
MON: An experiment and aims of course
FRI: Lecture and discussion
*Reading:* Friedman and Sunder, 1994 (Ch.1 & Section 9.8)
Davis and Holt, 1993 (p.5-9)
Holt, 2007 (Ch.2 & Ch. 8)

Week 2
Markets: Weighting Machines and Voting Machines
MON: Lab experiments
FRI: Lecture and discussion
*Reading:* Snowball, (p. 5-30)
Holt, 2007 (Ch. 11)

Week 3 & 4
Introduction to Experimental Economics & Other Regarding Preferences
Mon: Lab Experiments
FRI: Lecture and Discussion

Week 5 & 6
Formal Modeling and Experimentation & Bounded Rationality
Mon: Lab Experiments
FRI: Lecture and Discussion

Week 7-8
Situational preferences: Positive and Negative Reciprocity
Mon: Lab experiments
FRI: Lecture and Discussion

Week 9-10
Application: Auctions, Principal/Agent Problems
Mon: Lab Experiments
FRI: Lecture and Discussion

Week 11 & 12
Special topics: Neuroeconomics, Information Cascades, Etc
Procedures and other Info

Learning Objectives

To view the subject objectives and the generic skills you will develop through successful completion of this subject, please see the University Handbook: https://app.portal.unimelb.edu.au/CSCApplication/view/2009/316-303. To view the learning goals, generic skills and graduate attributes for your degree, please locate the University Handbook entry for your degree at: http://handbook.unimelb.edu.au/

Email Protocol

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address. Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link: http://accounts.unimelb.edu.au/.

While academic staff endeavor to address queries received via email, it is more appropriate to resolve substantive questions during lectures and tutorials and during normal consultation hours. With this in mind, we encourage students to attend all lectures and tutorials and to familiarise themselves with the consultation hours offered by the lecturers and tutors in this subject.

Enrolling in Tutorials Using Alloc8

Alloc8 is the University’s online tutorial allocation system. You must enrol in a tutorial for this subject using Alloc8 as soon as possible. Late enrolment into tutorials is handled by the Commerce Student Centre (Level 1, 198 Berkeley St). More information about Alloc8, including cut-off dates and a link to the login page, can be found on the Faculty’s website: http://www.ecom.unimelb.edu.au/students/undergrad/alloc.html

Plagiarism and Collusion

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (eg. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.


The Teaching and Learning Unit has developed a web-based ‘Academic Honesty Module’ that allows you to learn more about and test your knowledge of plagiarism and collusion. You are strongly encouraged to complete this module, which can be accessed at: http://tlu.ecom.unimelb.edu.au/AcademicHonestyTest/index.cfm

Special Consideration

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration.

The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application: http://www.ecom.unimelb.edu.au/students/special/
Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others.

You will be required to use the APA system or Harvard System of referencing. The TLU has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments. The booklets can be found here: [http://tlu.ecom.unimelb.edu.au/pdfs/apastyle.pdf](http://tlu.ecom.unimelb.edu.au/pdfs/apastyle.pdf) and [http://tlu.ecom.unimelb.edu.au/pdfs/The_Harvard_System.pdf](http://tlu.ecom.unimelb.edu.au/pdfs/The_Harvard_System.pdf)

It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been used may also result in your assignment being penalised.

Teaching & Learning Unit

The Teaching and Learning Unit offers a wide range of support services to students. If you are having any difficulty in studying for this subject you could arrange a consultation with the Unit’s learning skills specialist. The learning skills specialist can review your current approaches to study and offer advice on how to adjust to the demands of tertiary study. If you are a student from a non-English speaking background there is an English as a Second Language specialist who is available to help with your written work. Both of these specialists are available for face-to-face consultations or electronically through email. Go to the Faculty office to arrange for consultations or contact the specialists electronically through the Teaching and Learning Unit web page. The web page also contains a wide variety of study skills topics and information sheets for students, and a timetable of up-coming events, including focussed workshops, designed to support Economics and Commerce students in their study.

The Teaching and Learning Unit is located on the 4th floor of The Spot, 198 Berkeley St. Please visit the TLU’s website – [http://tlu.ecom.unimelb.edu.au/](http://tlu.ecom.unimelb.edu.au/).

Make use of the Teaching and Learning Unit. It is there to help.

Using Lectopia

This subject uses the Lectopia service as a courtesy to foreign students who might have difficulty in understanding the lecture. However, it is strongly advised that you come to class as it greatly facilitates learning and promote discussion. Success in this subject is strongly related to attentiveness at lectures and tutorials, and thorough preparation for tutorials. It is strongly recommended that you attend all lectures and tutorials.