1 Course description
This is a course in behavioural and experimental economics. It introduces you to the methodology of experimental research in economics. You will read some of the seminal papers, and you will be exposed to some of currently areas of research. The aim of the course is to provide you with a solid understanding of the experimental methodology. Learning by doing is the underlying learning philosophy in this course. Therefore, a central part of course is to perform and report an experiment; alone or together with some of your peers.

A well-developed experiment includes formulating testable hypothesis, designing the experiment, reporting and discussing the result. Another central aim of the course is to understand the methodology of experimental research in economics.

During the course we will perform experiments in the class. I expect that you participate in these experiments and in the discussion afterwards.

2 Course requirements and evaluation
Portfolio assessment with the following content and weight:

- Individual or group based experiment report (40 points)
- Individual oral presentation of the report (10 points)
- Individual essay (home exam) (40 points)
- Class participation – written question to specific texts (10 points)

3 Experiment project (40 + 10 points)
The experiment project can either be individually or together with (an) other student(s). The choice of topic is entirely up to you and your fellow peer students in the project, though subject to my approval. The most important thing to remember is that you will probably not able to answer a big question. Realistically, you should focus on making an incremental contribution. Duplicating a published experiment is fine. That’s how science actually works.
The evaluation of the experiment is based on the written report and an oral presentation of the report; 40 points for the written report and 10 points for the presentation.

Usually, we use money as rewards in economic experiments. You may apply for money from the Social Science Faculty to pay the participants for the rewards. I will help you with the necessary application forms. But, in this course it is acceptable to perform your experience with no or little reward for the participants.

The report can be written in English or Norwegian. The final version of the paper should follow a **standard format**: title page with name, total number of words, abstract, main body of text, and references. Other materials such as graphics, tables, and other supporting material can occur either in the body of text or at the end of the text. The abstract should provide a concise summary of the paper.

**Maximum total** number of words in the main body of the document is **2500** per authors; in addition are appendices.

You are also required to submit an **experiment proposal** individually or together with (an) other student and present your project in the class. In proposal you should describe the experiment you want to consider, the treatment, possible participators group, and literature reference to relevant papers. The more detailed the proposal is, the more detailed feedback you will receive from me.

The next step is to describe the procedure for your experiment. The procedure of an experiment is like writing a screenplay. A procedure is detailed description of how the experiment is performed. This procedure will also be a part of the final report.

The presentations of the proposal and final report can be either in Norwegian or in English. If you cooperate with (an)other student(s) on the experiment, it is required that all present and share the time equal. The overall time for each presentation depends on the number of students in the course.

**Timeline for experiment project**

- **Friday 10 February 12.00 (noon). Experimental proposal @ “Mitt UiB”**
  
  Class presentation of proposal: Tuesday 14 February 10.15-12.00.

- **Thursday 23 February at 12.00 (noon): Experimental procedure @ “Mitt UiB”**
  
  Class presentation of procedure and discussion: Monday 27 February 10:15-12:00

- **Final report within: Friday 31 March 12.00 (noon) @ “Mitt UiB”**
  
  Presentations of final report in class Tuesday 4 April 10:15-12:00

Important; please deliver proposal, procedure and final report at “Mitt UiB”; see the web page for this course. If you work in a group, I need only one report per group, though with all names in the group on the front page.
4 Individual essay (40 points)
The topic of your individual essay is entirely up till you though subject to my approval. The essay has to be single-authored.

The essay can be written in English or Norwegian. The final version of the paper should follow a standard format: title page with name, total number of words, abstract, main body of text, and references. Other materials such as graphics, tables, and other supporting material can occur either in the body of text or at the end of the text. The abstract should provide a concise summary of the paper. Maximum number of words is 3000.

Timeline for individual essay

- Presentation and discussion of individual essay in Monday 24 April 10:15-12:00.
- Important; the essay should be delivered at “Mitt UiB” no later than Wednesday 14 June at 12.00 (noon).

5 Class participations – questions to a text (10 points)

In five of the classes you will be presented for a specific text. As a part of the preparation you are required to hand in one question the beginning of the class. Please mark the question sheet with your name. The evaluation is based on 4 of questions.

We will use around 45 minutes to discuss the specific text.

6 Reading list

The course is based on one book. The following book has been ordered and is on sale at Studia:


In addition there will be journal articles and chapters in books. A “*” denotes central papers. I will also present some of my own research.

You will find the literature on homepage of the course.
7 Course schedule

Seminar room 327, Department of Economics, Herman Fossgate 7.
Classes: Mondays 10:15-12:00, and Tuesdays 10:15-12:00.

1: Tuesday 17 January 10:15-12:00

Introduction to the course and class room experiment

- FS chapter 1
- Interview with Daniel Kahneman “The King of Human Error”, Vanityfair 2011
- ECON talk Vernon Smith on markets and experiments, May 2007.

2: Monday 23 January 10:15-12:00

Markets experiments and class room experiment.

- FS 2.6

3: Tuesday 24 January 10:15-12:00

Market experiments: Exchange, theft, and the social formation of property and Question 1


Readings for Question 1:

4: Monday 30 January 10:15-12:00

Behavioral economics: Ultimatum, dictator, trust, and public good games.


5: Tuesday 31 January 10:15-12:00

Behavioral economics: Prospect theory and endowment effect and Question 2.


Readings to Question 2 on social norm:


6: Thursday 2 February 10:15-12:00 (joint lecture with ECON 350)


Adam Smith (1759/1790) “The Theory of Moral Sentiments”

- Of Sympathy”: Part I, Section I, Chaps. I-IV Of the sense of propriety
- “Of the Principle of Self-approbation and of Self-disapprobation”: Part III, Chap. I
“Of the love of Praise, and that of Praise-worthiness; and of the dread of Blame and that of Blame-worthiness”. Part III, Chap. II, Paragraphs 1-17.

“Of the Nature of Self-deceit, and of the Origin and Use of general rules”. Part III, Chap. IV

“Of the Order in which Individuals are recommended by Nature to our care and attention”. Part VI, Section II, Chap. I.

7: Tuesday 7 February 10:15-12:00

“Market rewards the good and punish bad” Presentation of own research. Question 3.

Text to Question 3:


8: Tuesday 14 February 10:15-12:00

Presentation and discussion of experimental projects

9: Tuesday 21 February 10:15 – 12:00

Experimental design and hypothesis testing

Question 4

Literature TBA

10: Monday 27 February 10:15-12:00

Presentation and discussion of experimental procedures.

11: Tuesday 6 March 10:15-12:00

Non-parametric statistics

Question 5 Literature TBA.
12: Tuesday 4 April 10:15-12:00
Presentation of final experimental report.

13: Monday 24 March 10:15-12:00
Presentation and discussion of topics for individual essays.