

**Economics 970: Experiments in Economics**  
Spring 2011

Instructor: Jan Zilinsky (zilinsky@mit.edu)  
Meeting times: TTh 4-5:30pm; TTh 6-7:30pm  
Course location: Robinson 105  
Office: E52-241-d (MIT), Littauer 235 (Harvard)  
Office hours: Fridays, 4pm-5pm, and by appointment  
Course website: <http://isites.harvard.edu/k77671>

Experiments have allowed economists to better understand the importance of beauty, social norms, gender, the double-edged nature of monetary rewards, and other aspects of life that influence our decisions but are often harder to model than competitive markets where all relevant information is captured in prices.

What is the price of kindness? What motivates people to punish those who misbehave? Why do we contribute to charity and give directions to strangers when they are lost?

This course will provide an introduction to experiments used by economists. It will examine what has been called non-standard, exotic, or simply pro-social preferences, review the most famous tests of game-theoretic models and assess the predictive power of economic theory, which has been criticized heavily in the aftermath of the financial crisis. The course will conclude with a brief overview of field experiments used by development economists.

**Guest lecture on social norms:** A guest lecture will be given by Robert Akerlof (MIT) on March 31.

**Requirements:** Term paper: 30%, Class participation: 25%, Presentations: 15%, On-line responses to readings: 20%, Empirical exercise: 10%.

**Goals of the course:** Interpreting experiments and knowing how economists think is useful but, above all, I hope that you will enjoy this opportunity to practice the art of communication (arguing, listening, analyzing, questioning and synthesizing in a small setting) and will walk out in May understanding your own motivations a little better even if you don't choose to call your desires a utility function.

**Opportunities to discuss the material and receive feedback:** You are encouraged to talk to me after class, attend office hours, or set up appointments to criticize (dissect/praise) what we cover, ask questions, or just talk about economics. You are also bound to benefit from conversations with classmates, so I urge you to discuss the material and possible paper topics with each other.

Attendance is required and active participation in the class debate is expected.

## TOPICS AND READINGS

### **Feb 1, Class 1, Introductory discussion**

#### *Required:*

BS Frey and S Meier. Social comparisons and pro-social behavior: Testing conditional cooperation in a field experiment. *American Economic Review*, pages 1717–1722, 2004

#### *Optional:*

Adriaan R Soetevent. Payment choice, image motivation and contributions to charity: Evidence from a field experiment. *American Economic Journal: Economic Policy*, pages 180–205, Jan 2011

Adriaan R Soetevent. Anonymity in giving in a natural context—a field experiment in 30 churches. *Journal of Public Economics*, 89(11-12):2301–2323, 2005

### **Feb 3, Class 2, Introduction to game theory**

(No required reading)

### **Feb 8, Class 3, Ultimatum, dictator, and public goods games**

#### *Required:*

James Andreoni. Warm-glow versus cold-prickle: The effects of positive and negative framing on cooperation in experiments. *The Quarterly Journal of Economics*, 110(1):1–21, February 1995

Robert J. Oxoby and John Spraggon. Mine and yours: Property rights in dictator games. *Journal of Economic Behavior & Organization*, 65(3-4):703–713, March 2008b

#### *Optional:*

RJ Oxoby and J Spraggon. Mine and yours: Property rights in dictator games. *Journal of Economic Behavior & Organization*, 65(3-4):703–713, 2008a

Jaromir Kovarik. Giving it now or later: Altruism and discounting. *Economics Letters*, 102(3): 152–154, Feb 2009

### **Feb 10, Class 4, Approaches to monetary incentives**

#### *Required:*

D Ariely, A Bracha, and S Meier. Doing good or doing well? image motivation and monetary incentives in behaving prosocially. *American Economic Review*, 99(1):544–555, 2009

Samuel Bowles. Policies designed for self-interested citizens may undermine 'the moral sentiments': Evidence from economic experiments. *Science*, 320(1):1605–1609, 2008

### **Feb 15, Class 5, Incentives and cooperation**

#### *Required:*

M Milinski, D Semmann, and H.J Krambeck. Reputation helps solve the 'tragedy of the commons'. *Nature*, 415(6870):424–426, 2002

Erte Xiao. Profit-seeking punishment corrupts norm obedience. *Mimeo*, pages 1–46, Oct 2010

#### *Optional:*

J Andreoni, W Harbaugh, and L Vesterlund. The carrot or the stick: Rewards, punishments, and cooperation. *American Economic Review*, 93(3):893–902, 2003

J Vyrastekova and D Van Soest. On the (in) effectiveness of rewards in sustaining cooperation. *Exp Econ*, 11(1):53–65, 2008

### **Feb 17, Class 6, Deception**

#### *Required:*

M Sutter. Deception through telling the truth?! experimental evidence from individuals and teams\*. *The Economic Journal*, 119(534):47–60, 2009

U Gneezy. Deception: The role of consequences. *American Economic Review*, 95(1):384–394, 2005

#### *Optional:*

G Charness and M Dufwenberg. Bare promises: An experiment. *Economics Letters*, 107(2): 281–283, 2010

### **Feb 22, Class 7, Interpretation of experiments**

#### *Required:*

Steven Levitt and John A List. What do laboratory experiments measuring social preferences reveal about the real world? *The Journal of Economic Perspectives*, 21(2):153–174, 2007

*Optional:*

H Crumpler and PJ Grossman. An experimental test of warm glow giving. *Journal of Public Economics*, 92(5-6):1011–1021, 2008

**Feb 24, Class 8, Field experiments**

*Required:*

GW Harrison and John A List. Field experiments. *Journal of Economic Literature*, 42(4):1009–1055, 2004

**Mar 1, Class 9, Peer pressure**

*Required:*

A Falk and A Ichino. Clean evidence on peer effects. *Journal of Labor Economics*, 24(1):39–57, 2006

*Recommended but optional:*

A Mas and E Moretti. Peers at work. *The American Economic Review*, 99(1):112–145, 2009

**Mar 3, Class 10, Gender through experiments**

*Required:*

U Gneezy, KL Leonard, and John A List. Gender differences in competition: Evidence from a matrilineal and a patriarchal society. *Econometrica*, 77(5):1637–1664, 2009

U Gneezy and A Rustichini. Gender and competition at a young age. *American Economic Review*, 94(2):377–381, 2004

**Mar 8, Class 11, Gender through experiments**

*Required:*

F Aguiar, P Brañas-Garza, R Cobo-Reyes, N Jiménez, and LM Miller. Are women expected to be more generous? *Experimental Economics*, 12(1):93–98, 2009

James Andreoni and Lise Vesterlund. Which is the fair sex? gender differences in altruism. *Quarterly Journal of Economics*, 116(1):293–312, Jun 2001

**Mar 10, Class 12** [Documentary screening: *Mind Over Money*]

(No readings)

*Mar 15 Spring break*

*Mar 17 Spring break*

**Mar 22, Class 13, Gender and discrimination in the labor market**

*Required:*

R Croson and U Gneezy. Gender differences in preferences. *Journal of Economic Literature*, 47(2):448–474, 2009

A Dreber and M Johannesson. Gender differences in deception. *Economics Letters*, 99(1):197–199, 2008

*Optional:*

C. Bram Cadsby, Maroš Servátka, and Fei Song. Gender and generosity: does degree of anonymity or group gender composition matter? *Exp Econ*, 13(3):299–308, Sep 2010

**Mar 24, Class 14, Experimental finance**

*Required:*

D Prelec and D Simester. Always leave home without it: A further investigation of the credit-card effect on willingness to pay. *Marketing Letters*, 12(1):5–12, 2001

M.S Haigh and J.A List. Do professional traders exhibit myopic loss aversion? an experimental analysis. *The Journal of Finance*, 60(1):523–534, 2005

**Mar 29, Class 15, Experimental finance**

*Required:*

D.P Porter and V.L Smith. Stock market bubbles in the laboratory. *Journal of Behavioral Finance*, 4(1):7–20, 2003

*Optional:*

V.L Smith, G.L Suchanek, and A.W Williams. Bubbles, crashes, and endogenous expectations in experimental spot asset markets. *Econometrica: Journal of the Econometric Society*, pages 1119–1151, 1988

**Mar 31, Class 16, TBD**

**Apr 5, Class 17, Happiness**

*Required:*

E. W Dunn, L. B Aknin, and M. I Norton. Spending money on others promotes happiness. *Science*, 319(5870):1687–1688, Mar 2008

**Apr 7, Class 18, Persuasion**

*Required:*

Dupas, Do Teenagers Respond to HIV Risk Information? Evidence from a Field Experiment in Kenya

**Apr 12, Class 19, Development**

*Required:*

Abhijit Banerjee and Esther Duflo. The experimental approach to development economics. *Annu. Rev. Econ.*, pages 151–178, Oct 2009

*Optional:*

Duflo, Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya

**Apr 14, Class 20, Development**

*Required:*

Abhijit V. Banerjee, *Making Aid Work*, Boston Review Books, 2007

Apr 19 Passover

**Apr 21, Class 21, Development**

*Required:*

TBA

**Apr 26, Class 22, Presentations**

## **Complete alphabetical reading list**

- F Aguiar, P Brañas-Garza, R Cobo-Reyes, N Jiménez, and LM Miller. Are women expected to be more generous? *Experimental Economics*, 12(1):93–98, 2009.
- J Andreoni, W Harbaugh, and L Vesterlund. The carrot or the stick: Rewards, punishments, and cooperation. *American Economic Review*, 93(3):893–902, 2003.
- James Andreoni. Warm-glow versus cold-prickle: The effects of positive and negative framing on cooperation in experiments. *The Quarterly Journal of Economics*, 110(1):1–21, February 1995.
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- M Milinski, D Semmann, and H.J Krambeck. Reputation helps solve the ‘tragedy of the commons’. *Nature*, 415(6870):424–426, 2002.
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- Robert J. Oxoby and John Spraggon. Mine and yours: Property rights in dictator games. *Journal of Economic Behavior & Organization*, 65(3-4):703–713, March 2008b.
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- V.L Smith, G.L Suchanek, and A.W Williams. Bubbles, crashes, and endogenous expectations in experimental spot asset markets. *Econometrica: Journal of the Econometric Society*, pages 1119–1151, 1988.
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