

**The Ohio State University  
Colleges of the Arts and Sciences New Course Request**

Economics

Academic Unit  
ECON

Book 3 Listing (e.g., Portuguese)  
505 Experimental Economics

Number	Title	U G	05
18-Character Title Abbreviation		Level	Credit Hours
Experimental Econ			
Summer	Autumn	Winter	Spring X
			Year 2006

Proposed effective date, choose one quarter and put an "X" after it; and fill in the year. See the OAA curriculum manual for deadlines.

**A. Course Offerings Bulletin Information**

Follow the instructions in the OAA curriculum manual. If this is a course with decimal subdivisions, then use one New Course Request form for the generic information that will apply to all subdivisions; and use separate forms for each new decimal subdivision, including on each form the information that is unique to that subdivision. If the course offered is less than a quarter or a term, please complete the Flexibly Scheduled/Off Campus/Workshop Request form.

Description (*not to exceed 25 words*): This course develops techniques of experimental economics to study individual decision-making, game theory and behavior within markets.

Quarter offered: SP06 Distribution of class time/contact hours: 2-2 Hr Classes  
Quarter and contact/class time hours information should be omitted from Book 3 publication (yes or no):

Prerequisite(s): Economics 200

Exclusion or limiting clause:

Repeatable to a maximum of 0 credit hours.

Cross-listed with:

Grade Option (Please check): Letter  S/U  Progress  What is course is last in the series? \_\_\_\_\_

Honors Statement: Yes  No  GEC: Yes  No  Admission Condition  
Off-Campus: Yes  No  EM: Yes  No  Course: Yes  No

Other General Course Information:

(e.g. "Taught in English." "Credit does not count toward BSBA degree.")

**B. General Information**

Subject Code 450601

Subsidy Level (V, G, T, B, M, D, or P) B

If you have questions, please email Jed Dickhaut at [dickhaut.1@osu.edu](mailto:dickhaut.1@osu.edu).

- Provide the rationale for proposing this course: Economists increasingly rely on experiments to study research questions. A sufficient body of synthesized research is now available to offer an undergraduate course in this area.
- Please list Majors/Minors affected by the creation of this new course. Attach revisions of all affected programs. This course is (check one):  Required on major(s)/minor(s)  A choice on major(s)/minors(s)  
 An elective within major(s)/minor(s)  A general elective:
- Indicate the nature of the program adjustments, new funding, and/or withdrawals that make possible the implementation of this new course.

N/A

4. Is the approval of this request contingent upon the approval of other course requests or curricular requests?

Yes  No  List:

5. If this course is part of a sequence, list the number of the other course(s) in the sequence: \_\_\_\_\_

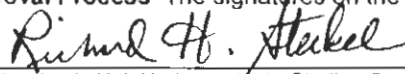
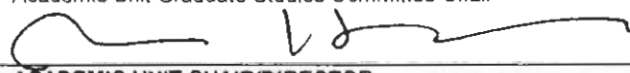
6. Expected section size: 35 Proposed number of sections per year: 1

7. Do you want prerequisites enforced electronically (see OAA manual for what can be enforced)? Yes  No

8. This course has been discussed with and has the concurrence of the following academic units needing this course or with academic units having directly related interests (*List units and attach letters and/or forms*):  
Not Applicable

9. Attach a course syllabus that includes a topical outline of the course, student learning outcomes and/or course objectives, off-campus field experience, methods of evaluation, and other items as stated in the OAA curriculum manual and e-mail to [asccurrofc@osu.edu](mailto:asccurrofc@osu.edu).

**Approval Process** The signatures on the lines in ALL CAPS ( e.g. ACADEMIC UNIT) are required.

1.	 Academic Unit Undergraduate Studies Committee Chair	<u>RICHARD H. STECKEL</u> Printed Name	<u>12-30-05</u> Date
2.	Academic Unit Graduate Studies Committee Chair	Printed Name	Date
3.	 ACADEMIC UNIT CHAIR/DIRECTOR	<u>Masaru Hashimoto</u> Printed Name	<u>12-30-05</u> Date
4.	After the Academic Unit Chair/Director signs the request, forward the form to the ASC Curriculum Office, 105 Brown Hall, 190 West 17 <sup>th</sup> Ave. or fax it to 688-5678. Attach the syllabus and any supporting documentation in an e-mail to <a href="mailto:asccurrofc@osu.edu">asccurrofc@osu.edu</a> . The ASC Curriculum Office will forward the request to the appropriate committee.		
5.	COLLEGE CURRICULUM COMMITTEE	Printed Name	Date
6.	ARTS AND SCIENCES EXECUTIVE DEAN	Printed Name	Date
7.	Graduate School (if appropriate)	Printed Name	Date
8.	University Honors Center (if appropriate)	Printed Name	Date
9.	Office of International Education (if appropriate)	Printed Name	Date
10.	ACADEMIC AFFAIRS	Printed Name	Date

Economics 505  
Experimental Economics

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Office Hours: ..... and by appointment

Over the past two decades, economists have begun to increasingly question the assumptions that underlie much of economics. Drawing heavily on cognitive psychology, economists have realized that individuals might not be quite as rational and self-centered as the theory assumed. Seeking an empirical basis for more realistic assumptions about human behavior and decision-making, economists have turned to controlled laboratory experiments. The resulting work has significantly impacted how economists think about individual decision-making, game theory, and behavior within markets. (The impact of economic experiments on the field became especially clear when Vernon Smith and Danny Kahnemann shared the Nobel Prize in the fall of 2002.) Experiments have also allowed economists to improve their ability to engineer better functioning institutions and markets.

In this class, you will be learning about the techniques and results of experiments in economics. In the process you will be exposed to a heck of a lot of economics that you are unfamiliar with and better understand a lot of the economics that you are already familiar with. We cannot possibly cover the full range of applications of experimental methods in a one-quarter course so will pick and choose among a variety of topics (see the syllabus below). The course will stress student participation. That is, for each topic we will begin with a classroom experiment in which you will participate that will have a structure similar to, or identical to, the experiments you will be reading about. Thus, the first class in any topic area will be held in the Economics Lab in 318 Arps Hall. Participating in the classroom versions of the experiments we will be reading about is an essential part of the course. They will give you a real feel for what's going on. As such you must plan on showing up *on time* for these classroom experiments and doing the lab work and homework associated with them. Failure to do so will adversely affect your grade.

**Grades will work as follows:** 10% for classroom participation in discussing articles, 15% for participation in classroom experiments and homework related to same, 25% for the mid-term and final each, and 25% for you experimental project proposal.

The experimental project proposal will work as follows: The objective here is to think through an experiment that you would like to run. To go through the whole process of identifying an economics related question of interest that can be investigated using experimental methods and outlining how you would attack the problem (specifying the broad outline of an experimental design). You will then be

writing a “research proposal.” This can be done in teams of up to 3 students. Find a substantive area of economics you are interested in, form your team (if you decide to go that route), and begin discussing your topic with me and/or the TA for the class by mid-quarter. *You must receive approval from us for your project to count.* You will then review the experimental and empirical literature on the topic (we will help you to identify the relevant research) and begin to specify an experiment that will fill a hole in the existing literature. At the end of the quarter you will present your proposals in class (about a 15-20 minute presentation). Written proposals will be between 5 and 10 pages. Some of you may choose, with the instructors encouragement, to pursue these research proposals as an independent study project next year.

### Readings

It is very difficult to find a single simple source of readings that I am happy with. So what I have tried to do is to do is to use the Handbook of Experimental Economics as a text for required readings with the exception of week 4 which sends you to a journal article (also available on my web site). I have included some additional suggested readings and, of course, you are free to browse the sections of the Handbook that we do not cover. These are considered optional readings.

There are several other books that you may want to look at that I will put on reserve in the library.

Davis, D. and Holt, C. *Experimental Economics*, Princeton University Press, 1993.

Camerer, C. *Behavioral Game Theory*, Princeton University Press, 2003.

Roth, A. E. (ed.) *Laboratory Experimentation in Economics: Six Points of View*, Cambridge University Press, 1987.

**Week 1:** Competitive Markets (the double auction mechanism).

Handbook: Holt chapter: pp. 355-360; 368-73; 393-96;  
Also pp. 49-58 from the Introduction

Additional reading: V. L. Smith, “Markets as Economizers of Information: Examination of the ‘Hayek Hypothesis’,” Economic Inquiry, 20, 165-179, 1982.

**Week 2:** Market Power, Posted Price Markets and Mergers

Handbook: Holt chapter: pp. 377-381 (monopoly); pp. 391-398; pp. 406-409;

Additional reading: Davis, D. and Williams, A., “The Hayek Hypothesis in Experimental Auctions: Institutional Effects and Market Power,” Economic Inquiry, 1991, 29, 261-74.

**Week 3:** Bilateral Bargaining

Handbook: Roth chapter: pp. 256-260; 270-271 (up to the Binmore et al experiment); 279-288.

#### **Week 4: Multilateral Bargaining**

Frechette, G., Kagel, J. H. and Lehrer, S. "Bargaining in Legislatures: An Experimental Comparison of Open versus Closed Amendment Rules," *American Political Science Review* ... This paper can be accessed through the journal or my web site.

#### **Week 5: Public Goods**

Handbook: Ledyard chapter: pp. 111-113 through "A simple public goods experiment"); pp. 121-122; pp. 130-141; pp. 144-148.

Suggested additional readings:

Isaac, M and Walker, J. "Group size effects in public goods provision: The voluntary contribution mechanism," *Quarterly Journal of Economics*, 103, Feb.1988.

Isaac, M., J. Walker and A. Williams "Group size and the voluntary provision of public goods: Experimental evidence using very large groups," *Journal of Public Economics*, 54, 1994.

#### **Week 6: Common Value Auctions**

Handbook: Kagel chapter: pp. 536-547; 564-569  
Also pp. 60-65 from the Introduction.

Suggested additional reading:

Kagel, J. H. and Levin, D. "Auction: Experiments" forthcoming in the *Palgrave Dictionary of Economics* (Available on my web site. This is a short and sweet survey covering more up to date elements including private value and Internet auctions.)

Kagel, J. H. "Common Value Auctions and the Winner's Curse: Lessons from the Economics Laboratory," in The Economics of Risk, D. J. Meyer (ed), Upjohn Institute, 2003 (You can access this through my web site.)

#### **Week 7: Asset Markets (and rational expectations)**

Handbook: Sunder chapter: pp. 446-464; 467-474.

#### **Week 8: Coordination Games**

Handbook: Ochs chapter: pp. 195-195 (Introduction); pp. 209-233.

**Weeks 9 and 10** – Student presentations or selections from other topics.

*Academic integrity* is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. It is expected that all students at The Ohio State University have read and understand the University's Code of Student Conduct, and that

all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute "Academic Misconduct."

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination.

Ignorance of the University's Code of Student Conduct is never considered an "excuse" for academic misconduct, so I recommend that you review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that you have violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

Other sources of information on academic misconduct (integrity) to which you can refer include:

The Committee on Academic Misconduct web pages ([oaa.osu.edu/coam/home.html](http://oaa.osu.edu/coam/home.html))

### **Students with Disabilities Contact Information:**

“Any student who feels he/ she may need accommodation based on the impact of a disability should contact the instructor privately to discuss your specific needs. Please contact the Office for Disability Services at 614/ 292-3307 in 150 Pomerene Hall to coordinate reasonable accommodations for students with documented disabilities.”