Topics in Behavioral and Experimental Economics

Winter 2019/20
University of Bonn

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Hours:
Class: Thursday, 4:15 pm – 5:45 pm
Location: RSI (vormals Raum 0.017)

Course Description:
This course provides an introduction to experimental methods and their applications in economics. We will focus on (i) the use of experiments in establishing causal effects, testing models, and illuminating mechanisms and (ii) the measurement of preference parameters and behavioral traits. We will illustrate these methods predominantly through papers in behavioral economics. Topics include bounded rationality in belief formation and choice, motivated reasoning, discrimination, stereotypes and discounting. We will cover methodological topics including the relationship between experiments and theory, internet experiments, and surveys. Students will become acquainted with the process of designing, organizing, and running an experiment, and class discussions will place emphasis on the development of early-stage research ideas.

Prerequisites:
The course is designed for PhD students in Economics. Knowledge of Microeconomics and Econometrics on the level of the 1st BGSE PhD-sequence is expected.

Course requirements and grading:
Grades will be determined based on (i) a research proposal (70%), and (ii) three referee reports (30%). Students are strongly encouraged to actively participate in class throughout the course. There will be no exams.

Outline:
• General Course Introduction and Some Basics About Experiments (1 lecture)

• Bounded Rationality – Attention and Focusing (1 lecture)
  o Discuss some of the leading theories
  o Experimental tests of these theories
  o Required readings:
- Koszegi and Szeidl (2012)

- Bounded Rationality - Belief Formation (3 lectures)
  - Some classical anomalies
  - “Neglect” in Belief Formation
  - Contingent Reasoning
  - Memory
  - Required reading:
    - Enke and Zimmermann (2018)
    - Enke (2019)
    - Esponda and Vespa (2019)
    - Martínez-Marquina et al (forthcoming)
    - Enke, Schwerter and Zimmermann (2019)
  - Referee report 1:
    - Enke and Graeber (2019)

- Motivated Cognition (2 lectures)
  - Moral wiggle room
  - Self-Confidence: supply and demand
  - Information preferences (only briefly)
  - Required reading:
    - Dana, Weber and Kuang (2007)
    - Di Tella, Perez-Truglia, Babino and Sigman (2015)
    - Eil and Rao (2011)
    - Zimmermann (2018)
  - Referee Report 2:
    - Exley and Kessler (2019)

- Discounting (2 lectures)
  - Key models of present bias – naivite versus sophistication
  - Experimental evidence
  - New developments
  - Required reading:
    - Augenblick, Niederle and Sprenger (2015)
    - Augenblick and Rabin (2018)
    - Schilbach (2018)
  - Referee Report 3:
    - Schwardmann and Le Yaouanq (2019)

- Discrimination/Gender/Stereotypes (1 lecture)
  - Discrimination: incidence, dynamics and implications
  - Required reading:
    - Bertrand and Mullainathan (2004)

There will be a total of 10 lectures, to not overburden you with lectures and give you time to develop research ideas. **There will be no lectures on:**
- Oct 24
- Nov 7
- Dec 19
- Jan 16, 23, 30

**Referee Reports (30% of grade) – Due at 8 pm Monday on the dates listed**
In the course of the semester, I will assign current working papers for you to write referee reports on. I will anonymize these reports and make them available to the authors of the papers. Therefore, you must upload the reports in MS Word.

Report 1: Enke and Graeber (2019) – *Nov 11*
Report 3: Schwardmann and Le Yauanq (2019) – *Dec 16*

**Research Proposal (70% of grade)**
Students are required to write a research proposal on a topic related to the themes of the class. By mid January 2020 (of course earlier if you want to) you must have met with me to discuss your idea for the research proposal. I can help you choose between ideas if necessary.

Research Proposal (70%): The proposal is due *February 29, 2020* and should be < 10 pages long. The ideal proposal will formulate a clear research question, explain why it is important, describe in detail the experimental design, and propose a plan for statistical analysis.
Readings:

Overview


Experimental Methods


Bounded Rationality I: Choice Behavior

Required:


Optional:


Bounded Rationality II: Belief Formation

Required:


Enke, B. (2019). What you see is all there is.


Referee Report:


Optional:


Motivated Cognition

Required:


Referee Report:

Optional:


**Discounting**

Required:


Referee Report:


Optional:


Discrimination

Required:
