

# Experimental Economics

ECON 297, Fall 2022

Tuesdays 12:45-2pm and Thursdays 11:15am-12:30pm, Location: SCHW290

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*Office Phone:* (902) 867-3982

*Class Webpage (Moodle):* [Moodle.stfx.ca](https://moodle.stfx.ca)

*Office Hours:* Tuesdays 11:15-12:30, Thursdays 9:45-11, Fridays 2-3:30

**Please note that wearing a mask during my office hours is mandatory. If a student does not wish to wear a mask, then the meeting must be held online or by phone.**

## **COURSE DESCRIPTION**

The course will cover laboratory and field experiments used by economists to test economic theories and to study public policy issues. Topics will include whether individual decisions in real world settings are consistent with economic theory, how individuals respond to incentives and how governments can encourage socially desirable behaviour. The course will cover famous experiments whose results have contributed to public-policy debates, in particular regarding labour market discrimination, education, public finance and health care.

## **OBJECTIVES AND LEARNING OUTCOMES**

- (1) To introduce students to experimental economics, its methods and some of the Economics topics that have been studied using randomized control trials.
- (2) To examine how individual choices in real world settings differ from theoretical predictions.
- (3) To study how government policies can be designed to influence individual choices.
- (4) To learn key components of experimental design.
- (5) To introduce students to academic articles.

**PREREQUISITES:** Econ 101

## COURSE MATERIALS

- **Handouts:** I will post handouts on a weekly basis on Moodle. Please bring them to class.
- **Readings:** I will post readings on Moodle taken from journal articles or non-technical reports. These readings are part of the required materials for the course and will be discussed during lectures. Examinations in this course will ask questions on these readings. You can find the schedule of classes and related readings at the end of this syllabus. When reading journal articles, you should concentrate on the introduction section, the experimental design section (i.e. how the experiment was conducted, who is part of the control/treatment group), and the results. Lectures will discuss each article in detail. I will provide guidance on how to read each article and which sections of the article are important for the purpose of this course.
- There is no textbook for this course.

## EVALUATION:

### Weighting Scheme:

	WEIGHT
Assignments (best 3 out of 4)	20%
Midterm exam	35%
Final exam	40%
In-class participation	5%

- **Assignments:**  
There will be 4 assignments. Deadlines will be announced in class and posted on Moodle throughout the semester. Assignments will become available at least 10 days before the deadline. The best 3 assignments will count towards your final grade. I will notify the class during lectures and by email when an assignment becomes available on Moodle.
- **Midterm test:**  
There will be a midterm test in class on **October 18**.  
In the event of a university closure on the midterm exam day, the exam will be automatically moved to the next scheduled lecture. Students should be prepared for this eventuality. Students unable to write a midterm examination at its scheduled time due to illness or due to a serious unexpected circumstance will be permitted to either write a

makeup exam or transfer the weight of the midterm test to the final exam. Please note that requests to alter the midterm date for travel plans will not be accommodated.

- **Final Exam**

The examination schedule will be available within 4 weeks after the beginning of classes. If you are unable to attend the final exam due to illness or due to a serious unexpected circumstance you must notify the appropriate Dean (i.e. the Dean of Business if you are a BBA student, the Dean of Arts if you are a BA student, etc.).

- **In-class participation**

Participation will be assessed based on attendance and contributions to in-class activities such as discussions of journal articles and group activities related to the course material. After each class, I will record your participation mark as follows: absent or not participating at all (0 marks), present and participating to at least some class discussions/activities (1 mark). At the end of the semester, your participation grade will be calculated as follows. I will drop your lowest 4 marks (i.e. two weeks of lectures) and then average your remaining participation marks. If you happen to miss more than two weeks of lectures due to illness, I will also drop those additional weeks.

## **OTHER POLICIES:**

- **Classroom conduct:**

I need your cooperation to ensure orderly conduct of lectures.

- Please arrive on time. If you need to leave early on a particular day for a valid reason, please let me know in advance.
- Taking pictures or videos during lectures without prior authorization by the instructor is not allowed.
- Course materials (including lectures, assignments and exams) are the property of the instructor, unless otherwise stated by the instructor. Copying this material for distribution, online posting, or selling of this material to third parties without permission is subject to Canadian Copyright Law and is strictly prohibited.

- **Equitable learning:**

Everyone learns more effectively in a respectful, safe and equitable learning environment, free from discrimination and harassment. I invite you to work with me to create a classroom space – both real and virtual – that fosters and promotes values of human dignity, equity, non-discrimination and respect for diversity.

- **Academic Integrity Policy:** <https://www.mystfx.ca/registrars-office/academic-integrity>  
Please note that simply having an unauthorized device (cell phone or smart watch for example) with you during an exam (even if not used during the exam) is a violation of the academic integrity policy.
- **Accommodations through the center for accessible learning:**  
Students who would like to request accommodations are asked to contact the Tramble Centre for Accessible Learning:

Phone 902.867.5349

Email: [tramble@stfx.ca](mailto:tramble@stfx.ca)

<http://www.mystfx.ca/accessible-learning/>

The Tramble Center welcomes students with documented permanent disabilities and offers them a student-centered program of support. Located in Room 108 of the Angus L MacDonald Library, new and returning students meet with program staff to discuss options for support. Deadline for registering with the Center is two weeks prior to the end of classes each semester and 7 days' notice is required for booking all accommodated tests and exams.

- **November 2<sup>nd</sup>** is the last day to drop the course. If you decide to drop the course, you must do so online through Banner. Permission to drop or change a course after the deadline can only be granted by the Dean's office.
- In accordance with the academic calendar, no classes will be held on September 30<sup>th</sup>, October 10<sup>th</sup>, and during the Fall Study break of November 7<sup>th</sup>-November 13<sup>th</sup>.

## **Tentative schedule of topics (subject to change)**

Introduction to randomized control trials

Part I: How to promote socially desirable choices

### **1. Externalities: problems and solutions**

*Readings:* "Believe it or not: Health education works" (2017) by Banerjee and Nayak

### **2. Tax evasion: theory and experiments**

*Readings:* "You've got mail: A randomised field experiment on tax evasion" (2019) by Bott et al.

## Part II: Poverty reduction

**3. Most effective policies to alleviate poverty in developing countries**

*Readings:* "Long-term effects of the Targeting the Ultra Poor program" (2021) by Banerjee et al.

## Part III: Labour market

**4. Labour market discrimination and resume audits**

*Readings:*

- "Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labour market discrimination" (2004) by Bertrand and Mullainathan
- "College Major, Internship Experience, and Employment Opportunities: Estimates from a Résumé Audit" (2016) by Nunley et al.

## Part IV: Consumer behaviour

**5. Status quo bias**

*Readings:* "Do defaults save lives?" (2003) by Johnson and Goldstein

**6. Moral hazard**

*Readings:* [The RAND Health Insurance experiment](#)

**7. Unexpected responses to fines and taxes**

*Readings:* "A fine is a price" (2000) by Gneezy and Rustichini

**8. State-dependent preferences, regret avoidance, framing and the endowment effect****9. Altruism, social pressure, and warm glow**

## Part V: Education (if time permits)

**10. Experiments in education**

*Readings:* "The struggle to pass algebra: online versus face to face credit recovery" (2016) by Heppen et al.