Analysis, modeling and data gathered from the field have been the traditional sources of economic knowledge. Experiments were confined to thought, and rarely included action. In the recent decades, economists have utilized laboratory experiments to investigate the properties of markets and other socio-economic-political institutions. Experiments with human as well as artificial agents can be designed to examine the validity of alternative theories as well as performance and effectiveness of various solutions to socio-economic problems.

This seminar introduces you to experimental methods, enriches your economic intuition through participation in, and design and conduct of experiments.

The introductory part of the course consists of a series of classroom experiments that address some classic questions, such as:

1. How well does the competitive supply and demand model predict the prices and allocations that emerge in various market environments?

1. What are the properties of alternative designs of auctions and markets? When does “winners’ curse” arise?

1. Under what conditions, and to what extent, can stock markets be informationally efficient? When do they become susceptible to formation of price bubbles?

1. How does the problem of free riding arise in provision of public goods, and what, if anything, can one do about it?

1. What are the conditions that lead to information cascades or herding behavior?

Participation in and analysis of the results of these experiments, and the relevant readings, will help you refine your understanding of economic phenomena as well as illustrate how to design experiments to answer interesting questions, and how to analyze their results.

Prerequisites: Two out of three courses (Intermediate microeconomics, Intermediate macroeconomics, and Econometrics).

[also MGT 703 and EP&E 404]