

Experiments in Economics

PhD course

Miriam Teschl (EHESS, AMSE)

miriam.teschl@ehess.fr

Summary:

This course aims to give an overview over the “state of art” of experiments in economics. We will trace the historical development of experiments in economics and present different “experimental schools of thoughts” and their main characteristics. We distinguish economic experiments from other experiments in the social sciences to make clear what makes them “economic”. Finally, we will present some key methodological elements of experiments including instructions as well as debriefing questionnaires and interviews and discuss issues of external validity.

Detailed outline:

There are a number of different “schools” of experiments in economics. In particular, there is a difference between behavioural economics on the one hand, the branch of economics that links psychology and economics, and experimental economics on the other hand. The latter tests market mechanisms and incentive structures on individual behaviour. Experiments also concern neuroscientific research in economics. In recent years, there is also a fruitful cooperation between anthropology and economics, and it is interesting to distinguish them from randomised controlled trials and other field experiments. It therefore becomes clear that the experimental literature in economics has become a widely used way of reasoning in

economics and is a perfect tool to bridge over to other disciplines in the social sciences concerned with individual decision-making and its behavioural consequences.

This course will give an introduction to the historical development of “experiments” in economics, starting in particular with Herbert Simon, explaining the different “schools” of experiments in behavioural economics, around key figures such as Daniel Kahneman on the one hand and Gerd Gigerenzer on the other for example, and differentiating it from typical market experiments à la Vernon Smith.

We will discuss a selection of results of the experimental and behavioural literature and briefly indicate how these results have influenced and/or challenged economic theory. We discuss the notion of ecological rationality as well as the importance of external validity. Finally, we discuss methodological and epistemological questions concerning the set-up of experiments.

Validation mechanism:

Participation and discussion in class, oral presentation of some experimental papers, short essay related to the topic or instruction for an experiment.

Some references:

Nicholas Bardsley et al., 2010, *Experimental Economics: Rethinking the rules*, Princeton University Press

Steven Durlauf and Lawrence Blume, 2010, *Behavioural and experimental economics*, Macmillan Publishers

Francesco Guala, 2005, *The Methodology of Experimental Economics*, Cambridge University Press

Gerd Gigerenzer, 2015, *Simply rational: Decision making in the real world*, Oxford University Press

Daniel Kahneman and Amos Tversky, 2010, *Choices, Values, and Frames*, Cambridge University Press

Vernon Smith, 2008, *Rationality in Economics: Constructivist and Ecological Forms*, Cambridge University Press.