

San José State University
Department of Economics
Economics 195, *Experimental Economics*, Section 1, Wi 2010

Instructor: Matt Holian
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Office Hours:

- Class days, 5- 6:30 p.m.

Class Days/Time: M-F, 6:00-9:30p.m.

Classroom: 149B

Prerequisites: Econ 1B

GE/SJSU Studies Category:

Faculty Web Page and E-mail Issues

Copies of the syllabus, major assignment handouts, etc. may be found on my web page <http://mattholian.com>. Students are responsible for regularly checking the e-mail address they have on file with MySJSU, and they should check their spam box.

Course Description

This course will provide a survey of topics in economics through the lens of in-class experiments. We will try to cover one experiment per class; this term, we will focus on the theoretical details of the Trust and Commons experiments, popularized by Elinor Ostrom, and also the Rent Seeing experiment, which we will discuss in the context of the theory of the firm.

Course Goals and Student Learning Objectives

The main objectives of this class are to get students thinking more deeply about the connections between theoretical models and the real world.

Required Texts/Readings

Markets, Games & Strategic Behavior, by Charles A. Holt.

The book is available as a free PDF, <http://people.virginia.edu/~cah2k/expbooknsf.pdf>, and was also published by Pearson. Either version will work equally well.

Assignments and Grading Policy

There will be a midterm and a final, participation points and experimental performance points. Attendance per se shall not be used as a criterion for grading according to Academic Policy F-69-24.)

<u>Assignment</u>	<u>Points</u>
15%	Students should participate in experiments and in-class discussions
70% Midterm 1 <i>or</i> Final	I will use the higher of your two scores to determine 70% of your grade (<i>provided neither score < 70%; if one or both scores < 70%, I will average your scores</i>).
15%	Students will earn 'money' during in-class experiments; earning more 'money' will lead to a higher grade

I will add the points you earn on these assignments, and use the standard grading scale to determine your final score: 100-98 A+, 98-92 A, 92-90 A-, 90-88 B+, 88-82 B, 82-80 B, 80-78 C+, 78-72 C, 72-70 C-, 70-68 D+, 68-62 D, 62-60 D, less than 60 F

University Policies

Dropping and Adding

Students should be aware of the current deadlines and penalties for adding and dropping classes.

Students are responsible for understanding the policies and procedures about add/drops, academic renewal, etc.

<http://info.sjsu.edu/web-dbggen/narr/soc-fall/rec-324.html> . <http://www.sjsu.edu/sac/advising/latedrops/policy/>

Academic integrity

Students should know that the University's Academic Integrity Policy:

http://www.sa.sjsu.edu/download/judicial_affairs/Academic_Integrity_Policy_S07-2.pdf. Your enrollment at San Jose State University requires you to be honest in all your academic course work. Faculty members are required to report all infractions http://www.sa.sjsu.edu/judicial_affairs/index.html.

Instances of academic dishonesty will not be tolerated. Cheating on exams or plagiarism (presenting the work of another as your own, or the use of another person's ideas without giving proper credit) will result in a failing grade and sanctions by the University.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability.

Econ 195 / Experimental Economics, Winter 2010, Course Schedule

The schedule is subject to change. I will announce any changes in class, and post an updated schedule on the course web page . Please complete the readings before class on the days they are assigned, but after the previous class.

Meeting	Date	Topics, Readings, Assignments, Deadlines
1	1/5	Introduction: Market, Dilemma, Coordination and Guessing Game Experiments
2	1/6	Lecture: Experimental Economics and Game Theory ■ Holt, Chapter 1 (1)
3	1/7	Centipede Game ■ Holt, Chapters 2-3 & 5 (2-3 & 5)
4	1/8	Lecture: Repeated Games; Review ■ Holt, Chapter 9 (23); Church and Ware, sections 9.5 & 9.8; Morton (optional)
5	1/11	Review ■ Camerer, Appendix to Chapter 1 (optional)
6	1/12	Midterm; Trust Experiment <i>(emphasizes Holt, Chpts 1-3, 5 & 9, and Church and Ware, sections 9.5 & 9.8)</i>
7	1/13	Common Pool Resource Experiment; Guest Speaker (D. Skarbek) ■ Holt, Chapter 24 (13); Ostrom, pp. 69-78; Smith, Skarbek and Wilson (2009)
8	1/14	Discuss Ostrom Reading; Rent Seeking Experiment ■ Holt, Chapter 28 (16); Ostrom, pp. 78-98
9	1/19	Private and Common Value Auction Experiments ■ Holt, Chapters 29 (17); Glazer (optional)
10	1/20	Student Led Discussions ■ Holt, Chapters 19 & 21 (19 & 21)
11	1/21	Student Led Discussions; Review for Final
12	1/22	Review; Final

We may discuss some of the optional readings in class. Students should be aware that all material discussed in class is fair game for the exams.

Readings (in order of appearance)

1. Holt, Charles. *Markets, Games and Strategic Behavior*.
<http://people.virginia.edu/~cah2k/expbooknsf.pdf>

>>Note: This book was also published by Pearson. The chapters listed in the schedule above refer to the free PDF version, and the numbers in parentheses refer to the published version.

2. Morton, R. (2005) "Why the Centipede Game Experiment is Important for Political Science" Forthcoming in *A Positive Change in Political Science: The Legacy of Richard D. McKelvey's Most Influential Writings*. Eds. J. Alt and A. Lupia.
<http://www.nyu.edu/gsas/dept/politics/faculty/morton/MortonCentipedePaper.pdf>
3. Church and Ware, *Industrial Organization: A Strategic Approach*
<http://homepages.ualgary.ca/~jrchurch/page4/page5/files/PostedIOSA.pdf>
4. *Camerer, Colin. 2003. *Behavioral Game Theory*. Princeton University Press (February 25, 2003) <http://press.princeton.edu/chapters/i7517.pdf>
5. **Ostrom, Elinor. 2005. *Understanding Institutional Diversity*. Princeton : Princeton University Press
6. Glazer, Amihai. 2002. Allies as rivals: internal and external rent seeking. *Journal of Economic Behavior and Organization*. 48, 155-162. (accessible through SJSU library)

* The appendix to chapter 1 will be distributed in class, **Chapter 3 will be distributed in class.

Other References

1. Holt, C. "Y2K Bibliography of Experimental Economics."
<http://people.virginia.edu/~cah2k/y2k.htm>
2. Kagel, John. 1995. *The Handbook of Experimental Economics*. Princeton, N.J. Princeton Univ. Press
3. Klemperer, P. 2004. *Auctions: Theory and Practice*. Princeton, N.J. Princeton Univ. Press <http://www.nuff.ox.ac.uk/users/klemperer/VirtualBook/VirtualBookCoverSheet.asp>

Frontier Papers of Interest

1. Powell, B. and Oprea, R. "Why Austrians Should Quit Worrying and Learn to Love the Lab" working paper, <http://mises.org/journals/scholar/powell3.pdf>
2. Powell, B. and Wilson, B. 2008. "An Experimental Investigation of Hobbesian Jungles" *Journal of Economic Behavior and Organization*,
<http://mail.beaconhill.org/~bpowell/Hobbes%20Final%20Published%20Article.pdf>

3. Smith, A. Skarbek, D. and B. Wilson 2009. "Anarchy, Groups, and Conflict: An Experiment on the Emergence of Protective Associations," working paper, <http://www.davidskarbek.com/uploads/Nozick.pdf>
4. Erik O. Kimbrough & Vernon L. Smith & Bart J. Wilson, 2008. "Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-Distance Trade," *American Economic Review*, vol. 98(3), pages 1009-39, June. <http://www.ices-gmu.net/pdf/materials/433.pdf>
5. Sean Crockett & Vernon Smith & Bart Wilson, . "Exchange and Specialization as a Discovery Process," Working Papers, Interdisciplinary Center for Economic Science, revised May 2006. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=930078
6. Edward Lopez and Robert Nelson. The endowment effect in a public good experiment. Working paper. <http://ideas.repec.org/p/wpa/wuwpe/0512001.html>