THE OHIO STATE UNIVERSITY

Department of Economics

410 Arps Hall
1945 North High Street
Columbus, OH 43210-1172

ECON 505
Winter 2009

Prof. Paul J. Healy
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ECON 505 Syllabus

Room: Arps 318
Professor Paul J. Healy
Office: Arps 465A

Meeting Times: T/Th 10:30 AM – 12:18 PM
Email: healy.52@osu.edu
Office Hrs.: Mon 11:00 AM – 12:00 PM

1 Overview:

This course will provide a survey of interesting topics in microeconomics through the lens of in-class experiments. Specifically, students will learn about important economic phenomena in a hands-on way, experiencing first-hand the effects of incentives, institutions, and behavior on economic outcomes. The main objective of this class is to get students thinking more deeply about the principles of microeconomics and how those principles might operate in the real world. Ancillary objectives include introducing undergraduates to 'cutting-edge' economics research and developing critical writing, critical thinking, and individual presentation skills.

1.1 Required Text:

- *Markets, Games & Strategic Behavior*, by Charles A. Holt. ISBN: 0-321-41931-6. (Strictly speaking it is not required, but strongly recommended.)

1.2 Teaching Assistant:

Darren Weng (a graduate student in economics) will be assisting with this course, particularly in running the in-class experiments. Note that he is not officially a teaching assistant; therefore, he will not be available outside of class. Please contact Professor Healy if you need help outside of class.

2 About This Course

2.1 Carmen

This course will use the online Carmen system to track grades, post announcements, and distribute required readings. If you cannot regularly access Carmen, please alert the professor.

2.2 Modules

The course will operate in a series of 8 'modules', each lasting for 2 class periods. In each module we will study a particular topic or phenomenon. The module will generally start on Thursday with an introduction to and demonstration of the topic and conclude the following Tuesday with presentations and discussions of related research and models. Specifically, the planned structure is:

Thursday (60 min) Participate in in-class experiments to demonstrate a phenomenon.

Thursday (30 min) Lecture on the predictions of the 'standard' theory. Some discussion.

Weekend Homework Three readings will be assigned. Each reading will be assigned to one student, who will prepare a 20-minute presentation of that reading. Students not assigned to present a reading must prepare a one-page written summary of one of the readings that *includes their own comments & opinions.*

Tuesday (60 min) Three 20-minute student presentations of the 3 readings.

Tuesday (30 min) Open discussion on the readings, related ideas, related work, summary.

2.3 Assignments & Grade Weights

20% Each student must present (at least) once. Presentations will be graded.

10% Students should participate in experiments and in-class discussions.

25% Non-presenting students must turn in a weekly readings summary with opinions.

40% All students must write a research proposal.

5% Students will earn 'money' during in-class experiments; earning more 'money' will lead to a higher grade.

2.3.1 Presentation & Discussion

The second class of each module will open with 3 student presentations of the 3 required readings for the week. These presentations must be prepared in advance.
Each presentation should:

1. be well-prepared and organized,
2. explain the economic game or decision problem under study,
3. summarize any important observations (experimental or otherwise) in the readings,
4. briefly summarize any theories and models provided by the paper,
5. provide some opinions about how these ideas might be used to think about other real-world situations,
6. and encourage audience participation.

Also note that audience members's participation grades are affected by their participation in these presentations.

2.3.2 Weekly Summaries

A healthy discussion *cannot* occur unless everyone does the required reading. The weekly summaries ensure that everyone has done their work and can contribute to the discussion. Each week, each non-presenting student must turn in a summary of one of the assigned readings. The summary should, *at least*:

- be at least a full page long ($\leq$ 11 point font excluding title & name, $\leq$ 1.25 inch margins),
- summarize the major points of the readings,
- and provide some of your own opinions about the research methodology, the general agenda, or the results. (Be careful to distinguish opinion from fact.)

Each weekly summary will receive a grade from zero to five.

2.3.3 Research Proposals

Each student must prepare a research proposal that details an experiment they would like to run as a potential research project using real human subjects. The professor will select the four most viable and interesting proposals, and these students will run a scaled-down version of their experiment in-class during the last 2 class periods of the quarter. These research proposals may be on any topic in economics, but must represent an attempt to learn something new; they cannot simply replicate existing experiments (to the best of the authors' knowledge). The four students that are selected will have 45 minutes to set up and run a shortened version their proposed experiment in class using their classmates as subjects. As a bonus, students whose proposals are selected and who successfully run their experiment in-class will get 100% on their 'participation' grade (worth 10%) *and* their experiment-based 'money' grade (worth 5%) for the quarter.
A good proposal:

- is between 5 and 10 pages,
- is broken into 3 to 6 coherent sections, such as (for example) 'Introduction', 'Related Literature', 'Proposed Experiment', 'Hypotheses', and 'Conclusion',
- has a title page with the author's name, title, and an abstract of ¡100 words that summarizes the proposal,
- properly surveys related literature in economics to argue that (a) your idea hasn't been done, and (b) your idea fills an interesting hole in the literature,
- provides *in very clear detail* what exactly you propose to work on,
- has a list of hypotheses about what you expect to find,
- and provides *in very clear detail* what resources you'll need (money, subjects, computer lab, etc.).

Written proposals will be due at the beginning of the 3rd-to-last class of the quarter. The professor will then choose the four 'winning' proposals as quickly as possible so the students can prepare for their experiment.

2.4 Tentative Schedule & List of Topics

Students must pick one of these topics for a presentation by signing up on the Carmen website. Students who fail to sign up will be randomly assigned to a topic.

0) Jan 6: Introductory Lecture & A Fun Experiment?

1) Jan 8–13: Decisions: Risk Aversion & Overconfidence

2) Jan 15–20: Decisions: Myopia and Saving

3) Jan 22–27: Basic Game Theory: Nash Equilibrium & Alternative Models

4) Jan 29–Feb 3: Regard for Others: Dictator, Ultimatum, Trust & Public Goods Games

5) Feb 5–10: Lemons Markets, Learning & Reputation

6) Feb 12–17: Bubbles in Markets

7) Feb 19–24: Auctions: Private- and Common-Value

X) Feb 26: NO CLASS

8) Mar 3–5: Prediction Markets. **Proposals Due Mar 5th at 10:30 AM**

***) Mar 10–12:** Student Proposal Experiments

Academic Misconduct: It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term "academic misconduct" includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see the Code of Student Conduct (`http://studentaffairs.osu.edu/resource_csc.asp`).

Disability Services: Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; `http://www.ods.ohio-state.edu/`.