Behavioral and Experimental Economics

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Aims of the course:
The course is a short introduction (12 hrs.) to the behavioral and experimental approach to the study of economic behavior and institutions. Experiments are now an established method of investigation in economics (“experimental economics”) and the experimental method is now widely considered as a tool among others in the typical economist’s toolbox. Its use has shed light on many areas, on the theoretical side (decision theory, game theory, markets) as on the more applied ones (policy, development, labor economics, industrial organization, health economics, etc.). The purpose of this course is to provide students with the methodological skills required to understand the design and the results and the basics on how to conduct experiments in their own research.

Learning outcomes and competences:
Upon successful completion of this course, students will be able to:
- Think in an interdisciplinary way. Behavioral Economics combines knowledge from several disciplines, such as Economics, Psychology, Sociology and Neuroscience. Students will learn how to formalize the concepts from social sciences outside Economics (e.g., fairness, reciprocity, trust, envy etc.) and how to incorporate them into economic models.
- Understand the logic of various types of experiments (lab, field, natural, etc.) and learn how to use experiments to test theoretical ideas.
- Think critically with respect to the results of economic research.

Assessment methods:
Students are required to write an essay (about 2500 words) on a selected topic agreed with the teacher.
Course contents and Syllabus:

| Lecture 1  
21/02/2020  
h. 9-12  
(3hrs.) | Introduction and Methodology (Vittorio Pelligra)  
- Historical developments  
- difference between psychology and economics  
- Homo Economicus?  
- correlation and causality  
- WEIRD subjects  

Suggested readings:  

| Lecture 2  
24/02/2020  
h. 10-12  
(2hrs.) | (Tiziana Medda)  
By evaluating some common criticisms of experimental economics, to consider what experiments can tell us about behaviour outside the laboratory.  
- External vs. Internal validity  
- Use unrepresentative subject pools  
- Use artificial tasks  
- Provide inadequate incentives  

Suggested readings:  
| Lecture 3 | 25/02/2020 2020  h. 10-12 (2hrs.) (Tiziana Medda) | The role of experiments for policy design with a focus on tax policy.  
- Traditional vs. Non-traditional instruments to fight tax evasion.  
Suggested readings:  
| Lecture 4 | 03/03/2020 2020  h. 11-13 (2hrs.) (Andrea Isoni) | Experimental tests of decision theory  
- Introduction to Expected Utility Theory  
- The Common Ratio Effect, the Common Consequence Effect, and the Preference Reversal phenomenon  
- Practical issues in designing risky-choice experiments  
Suggested readings:  
| Lecture 5 | 10/03/2020 2020  h. 10-13 (Andrea Isoni) | Nudging and Experiments in Behavioural Change  
- The concept of Nudging |
| (3hrs.) | • Examples of Nudges: Defaults, Social Norms and Honesty Priming  
• Nudging in the real world: applications by the Behavioural Insights Team (practical challenges in conducting Randomised Control Trials)  
• Nudging in the lab: understanding when and how nudges work (practical challenges in finding reliable nudges to test new hypotheses)  
• Replication and pre-registration  
• An illustration with Honesty Priming |

**Reading:**

- BIT report