

“Advanced Behavioral and Experimental Economics 1”

Syllabus (45h – Semester 1)

Outline:

This class will be taught by researchers working in experimental, behavioral, and institutional economics and researchers working at the intersection of economics with political science and history. The objective is to provide students with knowledge of the fundamental methods and topics used in the field. The class will cover the literature in experimental economics and discuss recent methods and topics. As well as have a focus on institutional economics and its intersections with political science and history. The class will consist of a 3h lecture slot each week and a 1.5h slot in which applications (related to the discussed methods and based on the students own research interests) will be discussed.

Classes:

Thursday: 17:00 – 18:30

Friday: 14:00 – 17:00

Teaching Team:

The course will be taught in 2019/2020 by the following team of teachers

- Michael Becher (michael.becher@iast.fr)
- Roberta Dessi (roberta.dessi@tse-fr.eu)
- Astrid Hopfensitz (astrid.hopfensitz@tse-fr.eu)
- Mohamed Saleh (mohamed.saleh@tse-fr.eu)

Evaluations:

The final grade will be the aggregate of a grade on a small project or assignment given by each teacher.

Preliminary planning:

weeks 1-3: Roberta Dessi

- History and quasi-experiments
- Institutions over time: emergence, persistence and change

weeks 4-5: Astrid Hopfensitz

- Experimental economics today (resources in Europe, how to run experiments at TSE)
- The psychology of individuals (emotions, physiological arousal, eye-movement, attention)
- The psychology of groups (groups in the lab and the field, constraints of field experiments)

weeks 6-7: Michael Becher

- Human biases and the functioning of democracy
 - i. Elections and political accountability: blind, biased and rational retrospection
 - ii. strategic voters?
 - iii. Economic inequality and political representation

weeks 8-10: Mohamed Saleh

- Institutions throughout history
- Historical micro-level data sources

Possible application topics:

- Finance (behavioral finance, bubbles, trader types, ...)
- Law (biases in decisions, fairness concepts, morality...)
- Development (poverty and cognitive reactions, cultural biases)
- Environmental economics (public good contributions, nudges,...)
- IO (principal-agent models, cheap talk, ...)

Details for each part:**Roberta Dessi:**

History provides a unique source of quasi-experiments, with advantages (scale, scope, time horizon...) and challenges (data sources, survival and reliability...). This part of the course develops a history-based perspective on institutional formation, persistence and change, and the economic and social consequences – from medieval merchant guilds and city-states to the extension of the voting franchise.

Selected readings

- Acemoglu, Daron, and James A. Robinson (2000) "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective", *Quarterly Journal of Economics*.
- Aidt, Toke S. and Raphael Franck (2015) "Democratization Under the Threat of Revolution: Evidence from the Great Reform Act of 1832", *Econometrica*.
- Angelucci, Charles, Meraglia, Simone, and Nico Voigtlander (2017) "The Medieval Roots of Inclusive Institutions: From the Norman Conquest of England to the Great Reform Act".
- Becker, Sascha O., Grosfeld, Irena, Voigtlander, Nico, and Ekaterina Zhuravskaya (2018) "Human Capital Accumulation and Forced Migration: Evidence from the Post-WWII Polish Population Transfers".
- Dessí, Roberta and Salvatore Piccolo (2016) "Merchant Guilds, Taxation and Social Capital", *European Economic Review*.
- Greif, Avner, Milgrom, Paul, and Barry R. Weingast (1994) "Coordination, Commitment and Enforcement: The Case of the Merchant Guild", *Journal of Political Economy*.
- Guiso, Luigi, Sapienza, Paola, and Luigi Zingales (2016) "Long Term Persistence", *Journal of the European Economic Association*.
- Jha, Saumitra (2015) "Financial Asset Holdings and Political Attitudes: Evidence from Revolutionary England", *Quarterly Journal of Economics*.
- Lizzeri, Alessandro and Nicola Persico (2004) "Why Did the Elites Extend the Suffrage? Democracy and the Scope of Government, with an Application to Britain's "Age of Reform"", *Quarterly Journal of Economics*.
- Myerson, Roger B. (2015) "Moral Hazard in High Office and the Dynamics of Aristocracy", *Econometrica*.
- Puga, Diego and Daniel Trefler (2014) "International Trade and Institutional Change: Medieval Venice's Response to Globalization", *Quarterly Journal of Economics*.

Astrid Hopfensitz:

Experimental economic has seen a rise in recent years and is now a method regularly used for economic studies. We will discuss practical issues to plan and implement experimental research. We will further discuss methods that can be used in the laboratory to gain additional insights in the psychological foundations of behavior. We will further cover a number of recent topics receiving attention in the literature concerning the psychology of individuals and groups (e.g. group behavior, gender differences, reasoning styles, attention and what can be learned from the literature on Nudges).

Suggested readings:

- Al-Ubaydli, O. & J. List (2015). Do Natural Field Experiments Afford Researchers More or Less Control Than Laboratory Experiments? *AER*

- Apicelle, C., Demiral, E.E. & J. Mollerstrom (2017). No Gender Difference in Willingness to Compete When Competing against Self. *AER*
- Binmore, K. (1999). Why experiment in economics?. *EconJ*.
- Buser, T., Peter, N., Woler, S.C. (2017). Gender, Competitiveness, and Study Choices in High School: Evidence from Switzerland. *AER*
- Karnton, R. E. & S. Sanders (2017). Groupy versus Non-Groupy Social Preferences: Personality, Region, and Political Party, *AER*
- Lahey, J.N. & D. Oxley (2016). The Power of Eye Tracking in Economics Experiments. *AER*.
- Niederle, M. (2017). A gender agenda: a progress report on competitiveness. *AER*
- Noussair (2011), Trends in Academic Publishing in Experimental Economics, *JoE Conference*.
- Rubinstein, A. (2007). Instinctive and Cognitive Reasoning: A Study of Response Times. *EJ*.
- Sunstein, C. R., & Thaler, R. H. (2003). Libertarian paternalism is not an oxymoron. *The University of Chicago Law Review*.
- Zizzo, D. J. (2010). Experimenter demand effects in economic experiments. *Experimental Economics*.

Michael Becher:

Representative democracy consists of a fundamental set of institutions to select political leaders and make collective decisions. In this part of the course, we review recent research by economists and political scientists on how information and human biases shape democratic performance. How well do elections work to limit principal-agent problems when many voters are uninformed, inattentive, imperfectly rational or biased? Are there feasible institutional reforms that make democracy work better? After briefly reviewing canonical theories of electoral accountability and political selection, we focus on empirical studies addressing these questions, covering both observational and experimental approaches. Then we consider evidence on the relevance of strategic voting in party competition. Time permitting, we may also review the ongoing scientific debate about the link between income inequality and political representation.

Selected readings:

- Besley, Timothy. 2006. Principled Agents. Oxford: Oxford Univ. Press. (Ch. 3)
- Ferraz, Claudio and Frederico Finan. 2011. "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments." *American Economic Review* 101(4).
- Gagliarducci, Stefano and Tommaso Nannicini. 2013. "Do better paid politicians perform better? Disentangling incentives from selection." *Journal of the European Economic Association* 11(2): 369-398.
- Healy, Andrew and Gabriel S. Lenz. 2014. "Substituting the End for the Whole: Why Voters Respond Primarily to the Election-Year Economy." *American Journal of Political Science* 58(1): 31-47.
- Van der Straeten, Karine, Jean-François Laslier, Nicolas Sauger and André Blais. 2010. "Strategic, sincere, and heuristic voting under four election rules: an experimental study." *Social Choice and Welfare* 35(3).
- Pons, Vincent and Clémence Tricaud. "Expressive Voting and Its Cost: Evidence from Runoffs with Two or Three Candidates." Harvard Business School Working Paper, No. 17-107, May 2017.

Mohamed Saleh :

This 9-hour section of the course aims at introducing students to recent advances in the study of institutions in quantitative economic history. The course will focus on the data and methodological advances in the study of institutions in economic history, notably the introduction of "big historical data" (e.g., population censuses, tax data) that allow the micro-level study of institutions, the rise of "natural experiments in history" that make use of difference-in-differences (DID), instrumental variables (IV), and regression discontinuity research designs. The course will then give a brief introduction to the "analytical narratives" approach as an alternative approach to studying institutions in history using a combination of game theory and qualitative evidence. Finally, the course will attempt to evaluate the limitations and promises of both the applied microeconomics and the analytical narratives approaches.

Keywords:

- Institutions in economic history
- Applied microeconomic approach (Natural experiments in economic history: Difference in Differences, Instrumental Variables, Regression Discontinuity)
- Analytical narratives

Suggested readings (a very preliminary list; readings may change in the final detailed syllabus):

- Hornbeck, R., "The Enduring Impact of the American Dust Bowl: Short-and Long-Run Adjustments to Environmental Catastrophe," *American Economic Review*, Vol. 102(4), pp. 1477-1507 (2012).
- Abramitzky, Ran, Leah Boustan, and Katherine Eriksson, "Europe's Tired, Poor, Huddled Masses: Self-Selection and Economic Outcomes in the Age of Mass Migration," *American Economic Review*, Vol. 102(5). Pp. 1832–1856 (2012).
- Acemoglu, Daron, S. Johnson, and J. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, Vol. 91(5), pp. 1369-1401 (2001).
- Nunn, Nathan. "The Long-Term Effects of Africa's Slave Trades." *Quarterly Journal of Economics* 123.1 (2008): 139-176.
- Angrist, Joshua D., and Victor Lavy. "Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement." *Quarterly Journal of Economics* (1999): 533-575.
- Meyersson, Erik. "Islamic Rule and the Emancipation of the Poor and Pious." *Econometrica* (2014).
- Greif, Avner. "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition." *American Economic Review* 83 (1993), no. 3: 525-548.
- Dell, Melissa. "The Persistent Effects of Peru's Mining Mita." *Econometrica* 78 (2010), no. 6: 1863-1903.
- Banerjee, Abhijit, and Lakshmi Iyer. "History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American Economic Review* 95 (2005): 1190–1213.
- Costa, Dora L., and Matthew E. Kahn. "Cowards and Heroes: Group Loyalty in the American Civil War." *Quarterly Journal of Economics* 118 (2003), no. 2: 519-548.
- Thomas Piketty, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, "Wealth Concentration in a Developing Economy: Paris and France, 1807-1994." *American Economic Review*. Vol. 96 (1), 2006, 236-56.