



UNIVERSITÄT
BAYREUTH

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VWLE – University of Bayreuth

<https://www.entwicklung.uni-bayreuth.de/>

Syllabus

Seminar on Political Economy

„Economic Experiments and Practice”

1. Dates, times and room

- July 3-5, 2025
- Thursday from 16:00-20:00, Friday from 9:00-18:00, Saturday from 9:00-17:00
- Room 1.81, RW2

2. Content

The course introduces the foundational concepts, methodologies, and applications of experimental economics. It examines how controlled experiments are used to understand economic behavior, explore theoretical predictions, and evaluate policy interventions. The course covers various topics such as market behavior, public goods, social preferences, and the integration of behavioral economics. The program is structured as follows:

Day 1: Introduction to Experimental Economics and Principles of Experimental Design

Topics Covered:

- Historical evolution and scope of experimental economics.
- Key concepts: control, incentives, and randomization.
- Steps in experimental design: hypotheses, treatments, and protocols.
- *Classroom experiment*

Core Reading List:

- Smith, V. L. (1976). Experimental economics: Induced value theory. *The American Economic Review*, 66(2), 274-279.
- Kagel, J. H., & Roth, A. E. (1995). *Handbook of Experimental Economics*.
- Smith, V. L. (1982). Microeconomic systems as an experimental science. *The American Economic Review*, 72(5), 923-955.
- Falk, A., & Heckman, J. J. (2009). Lab experiments are a major source of knowledge in the social sciences. *Science*, 326(5952), 535-538.

Day 2: Individual Preferences, Risk, and Uncertainty

Topics Covered:

- Risk aversion and ambiguity aversion.
- Theoretical foundations: Expected Utility Theory and Prospect Theory.
- Experiments on individual decision-making under uncertainty.
- *Classroom experiment*

Core Reading List:

- Hey, J. D., & Orme, C. (1994). „Investigating Generalizations of Expected Utility Theory Using Experimental Data.“ *Econometrica*.
- Kahneman, D., & Tversky, A. (1979). „Prospect Theory: An Analysis of Decision Under Risk.“ *Econometrica*, 47(2), 363-391.
- Holt, C. A., & Laury, S. K. (2002). „Risk Aversion and Incentive Effects.“ *American Economic Review*.
- Ellsberg, D. (1961). „Risk, Ambiguity, and the Savage Axioms.“ *Quarterly Journal of Economics*.
- Harrison, G. W., & Elisabet Rutström, E. (2008). Risk aversion in the laboratory. In *Risk aversion in experiments* (pp. 41-196). Emerald Group Publishing Limited.

DAY 3: Markets

Topics Covered:

- Behavioral dynamics in market environments.
- Role of private vs. public information in financial markets.
- Experimental analysis of market efficiency and deviations.

- Applications in policy and financial regulation.
- The dynamics of cooperation in public goods provision.
- Voluntary contributions and their sensitivity to risk and uncertainty.
- Growth, competition, and self-interest in collective action scenarios.
- Policy implications for public goods funding and management.
- *Classroom experiment*

Core Reading List:

1. Smith, V. L. (1962). „An Experimental Study of Competitive Market Behavior.“ *Journal of Political Economy*.
2. Hey, J. D., & Morone, A. (2004). „Do markets drive out lemmings—or vice versa?“ *Economica*, 71(284), 637-659.
3. Ruiz-Buforn, A., Camacho-Cuena, E., Morone, A., & Alfarano, S. (2021). „Overweighting of public information in financial markets: A lesson from the lab.“ *Journal of Banking & Finance*, 133,106298.
4. Gütth, W., Schmittberger, R., & Schwarze, B. (1982). „An Experimental Analysis of Ultimatum Bargaining.“ *Journal of Economic Behavior & Organization*.
5. Andreoni, J. (1995). „Cooperation in Public Goods Experiments: Kindness or Confusion?“ *American Economic Review*.
6. Fehr, E., & Schmidt, K. M. (1999). „A Theory of Fairness, Competition, and Cooperation.“ *Quarterly Journal of Economics*.
7. Charness, G., & Rabin, M. (2002). „Understanding Social Preferences.“ *American Economic Review*.
8. Colasante, A., Morone, A., Nemore, F., & Tiranzoni, P. (2024). „Self-love, growth, and competition in a public good game.“ *Kyklos*, 77(4), 845-872.
9. Levati, M. V., & Morone, A. (2013). „Voluntary contributions with risky and uncertain marginal returns: the importance of the parameter values.“ *Journal of Public Economic Theory*, 15(5), 736-744.

Reading List (for Evaluation):

- Plott, C. R., & Sunder, S. (1982). „Efficiency of Experimental Security Markets.“ *Journal of Political Economy*.

- Camerer, C., & Weigelt, K. (1991). „Information Mirages in Experimental Asset Markets.“ *Journal of Political Economy*.
- Gode, D. K., & Sunder, S. (1993). „Allocative Efficiency of Markets with Zero-Intelligence Traders.“ *Journal of Political Economy*.
- Smith, V. L., & Williams, A. W. (1992). Experimental market economics. *Scientific American*, 267(6), 116-121.
- Kirman, A. (1993). Ants, rationality, and recruitment. *The Quarterly Journal of Economics*, 108(1), 137-156.
- Bossaerts, P., & Plott, C. (2004). Basic principles of asset pricing theory: Evidence from large-scale experimental financial markets. *Review of Finance*, 8(2), 135-169.
- Caferra, R., Nuzzo, S., & Morone, A. (2023). „Less is more” or „more is better”? The effect of asymmetric information distribution on market efficiency and wealth inequality. *Journal of Economic Interaction and Coordination*, 18(2), 233-250.
- Nuzzo, S., & Morone, A. (2017). Asset markets in the lab: A literature review. *Journal of Behavioral and Experimental Finance*, 13, 42-50.
- Merl, R. (2022). Literature review of experimental asset markets with insiders. *Journal of Behavioral and Experimental Finance*, 33, 100596.
- Ockenfels, A., & Selten, R. (2005). Impulse balance equilibrium and feedback in first price auctions. *Games and Economic Behavior*, 51(1), 155-170.
- Shiller, R. J. (2014). Speculative asset prices. *American Economic Review*, 104(6), 1486-1517.
- De Bondt, W. F., & Thaler, R. H. (1985).
- Smith, V. L., Suchanek, G. L., & Williams, A. W. (1988). Bubbles, crashes, and endogenous expectations in experimental spot asset markets. *Econometrica: Journal of the Econometric Society*, 1119-1151.
- Alfarano, S., Lux, T., & Wagner, F. (2005). Estimation of agent-based models: the case of an asymmetric herding model. *Computational Economics*, 26, 19-49.
- Ledyard, J. O. (1995). „Public Goods: A Survey of Experimental Research.“ *Handbook of Experimental Economics*.

3. Target Group

The participants of this seminar should be familiar with regression analysis (OLS, Instrumental Variables etc.) and, as such, have an understanding of how to read and interpret econometric output.

It is preferable (but not strictly necessary) that participants are familiar with basic concepts of micro- and macroeconomics.

The main target group are master students in Economics, Internationale Wirtschaft & Governance, Philosophy & Economics, Development Studies as well as History & Economics. Advanced Bachelor students may also participate if they have prior experience in empirical analysis (e.g. if they have followed a course in empirical economics). Please note that master students receive priority in the case of overbooking.

4. Accreditation

Students can earn credit points according to the indications of CM-Life and particularly for the following degree programs:

- Economics (M.Sc.): „Theorie und Empirie der gesellschaftlichen Entwicklung“
- Internationale Wirtschaft und Governance (M.A.): „Economics, Governance and Development“, „Theorie und Empirie der gesellschaftlichen Entwicklung“
- Philosophy & Economics (M.A.): „Specialization“
- Development Studies (M.A.): D3, D4
- History & Economics (M.A.): „Theorie und Empirie der gesellschaftlichen Entwicklung“
- Bachelor: depending on their program

5. Evaluation

Seminar participants are required to prepare a written seminar paper (approx. 3,000 words for Master students and 2,000 words for Bachelor students) on a research article of choice (from provided list).

6. Organization & Pre-Registration

- **Lecturer:** Professor Dr. Andrea Morone (Guest Professor)
- Pre-Registration until Friday, June 20 is required for organizational purposes via the following form:

<https://forms.gle/o8syEoEBzyvcyKxQA>

- One week prior to the seminar the lecturer will connect with students via Zoom. Students participating in the seminar will then be assigned topics for short presentations (approximately 15min)
- The lecturer will introduce the students to the topics of the seminar to prepare them for the term paper. Active participation during the classes is expected.
- The seminar is limited to 20 participants.
- For remaining questions regarding the content or organization of the seminar, please send an email to the lecturer at andrea.morone@uniba.it

7. Literature

Students are required to select one or two articles from the above list (see point 2) as a topic for their term paper. They are further required to search for additional literature when preparing their course work. Students are expected to consult closely with the lecturer on their project.