

Course title: Behavioral and Experimental Economics

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Course Description

The course is organized by the group of experimental economists active at DEMS (CISEPS Unit 'Behavior and Rationality' and the Experimental Economics Lab). The objective of the course is to familiarize students with research methods and questions from behavioral and experimental economics, through an in-depth presentation of selected topics from the research agenda of the group members.

Part 1: Non-standard preferences

Marco Mantovani (DEMS)

The microeconomic foundations of choice build on few fundamental axioms. In two lectures, we will cover: a) two families of violations of these axioms in experimental data, related to the independence axiom and convexity; b) their consequences in relevant economic applications, such as financial markets and preference aggregation in political processes; c) theories that try to relax these axioms and ways to test them.

Reading list

Dembo, A., Kariv, S., Polisson, M., & Quah, J. K. H. (2021). Ever since Allais. *R&R Journal of Political Economy*

Filippin, A., & Mantovani, M. (2023). Risk aversion and information aggregation in binary-asset markets. *Quantitative Economics*, 14(2), 753-798.

Filippin, A., & Mantovani, M. (2023). Moral preferences over health-wealth tradeoffs. *R&R, Journal of Economic Behavior & Organization*.

Mantovani, M. & Filippin, A. (2024). When Do Prediction Markets Return Average Beliefs? Experimental Evidence. *R&R Quantitative Economics*.

Mantovani, M. & Filippin, A. (2024). The Good, the Bad, and the Well-behaved: choices over bads and preferences for diversification, work in progress.

Wakker, P., & Tversky, A. (1993). An axiomatization of cumulative prospect theory. *Journal of risk and uncertainty*, 7, 147-175.

Part 2: Coordination and Cooperation in the Multiple Threshold Public Good Setting

Luca Corazzini (DEMS)

The multiple threshold public good (MTPG) setting is gaining increasing attention in the behavioral and experimental literature for its strong adherence to real world contexts (among others, donating to alternative NGOs/social projects through web-based platforms). In two lectures we will a) present the general public goods problem and the related experimental literature, and b) cover studies on the MTPG setting that address the following questions: (i) How do donors coordinate their donations over a multitude of alternative social projects? (ii) How do multiplicity of public goods and the coordination problem affect their attitude to donate? (iii) Do efficiency, the presence of an intermediary, and donors' heterogeneity provide viable coordination devices to coordinate donations on the same project?

Reading list

Chaudhuri, A. (2011). Sustaining cooperation in laboratory public goods experiments: a selective survey of the literature. *Experimental economics*, 14, 47-83.

Luca Corazzini, Christopher Cotton, Paola Valbonesi (2015). “Donor Coordination in Project Funding: Evidence from a Threshold Public Goods Experiment,” *Journal of Public Economics*, 128, 16-29.

Luca Corazzini, Christopher Cotton, Tommaso Reggiani (2020). “Delegation and Coordination with Multiple Threshold Public Goods: Experimental Evidence,” *Experimental Economics*, 23, 1030-1068.

Luca Corazzini, Christopher Cotton, Enrico Longo, Tommaso Reggiani (2022). “Pro-Rich and Progressive: Policy Selection and Contributions in Threshold Public Goods Experiments,” QED Working Paper, 1471. R&R, *Journal of Public Economics*.

Luca Corazzini, Matteo Marini (2022). “Focal Points in Multiple Threshold Public Goods Games: A Single-Project Meta-Analysis,” MUNI ECO Working Paper, 2022-10. R&R, *Journal of the Economic Science Association*.

Diya Abraham, Luca Corazzini, Miloš Fišar, Tommaso Reggiani (2023). “Coordinating Donations via an Intermediary: The Destructive Effect of A Sunk Overhead Cost,” *Journal of Economic Behavior and Organization*, 211, 287-304.

Part 3: Behavioral games, strategic sophistication and choice process data

Luca Polonio (DEMS)

The mini-course provides an overview of the techniques used in behavioral game theory to investigate decision-making through choice-process data. These techniques integrate economics, psychology, and cognitive science. The two lectures will emphasize the importance of considering individual differences in preferences, cognition and beliefs for the understanding of human decision-making and will endow the students with practical skills in eye-tracking and mouse-click techniques for conducting their own experiments.

Reading list

Glimcher, P. W., & Fehr, E. (Eds.). (2013). *Neuroeconomics: Decision making and the brain*. Academic Press.

Polonio, L., & Coricelli, G. (2019). Testing the level of consistency between choices and beliefs in games using eye-tracking. *Games and Economic Behavior*, 113, 566-586.

Polonio, L., Di Guida, S., & Coricelli, G. (2015). Strategic sophistication and attention in games: An eye-tracking study. *Games and Economic Behavior*, 94, 80–96.

Coricelli, G., Polonio, L., & Vostroknutov, A. (2020). The process of choice in games. In *Handbook of experimental game theory*. Edward Elgar Publishing.

Marchiori, D., Di Guida, S., & Polonio, L. (2021). Plasticity of strategic sophistication in interactive decision-making. *Journal of Economic Theory*, 196, 105291.

Suggested general readings:

Angner, E. (2020). *A course in behavioral economics*. Bloomsbury Publishing.

Assessment

The assessment is based on assignments. Students (possibly grouped) will select one research question from a list, formulate a hypothesis and draft an experimental design aimed at testing it.