Behavioral and Experimental Economics

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1. Behavioral Economics

2. Experimental Economics

3. What? Who?
pleonasm
pleonasm

The use of more words than are necessary to express an idea; redundancy.
Richard Thaler, www.edge.org
Behavioral economics is a pleonasm. Why do we need a field called behavioral economics? Isn't behavior what economics is supposed to be?
Behavioral economics is a pleonasm
Behavioral economics is a **pleonasm**

Why do we need a field called behavioral economics?
Behavioral economics is a pleonasm
Why do we need a field called behavioral economics?
Isn’t behavior what economics is supposed to be?
Object, Methods, Relevance

Object: actual behavior of economic agents

Methods: theoretical models, controlled experiments

Relevance: firms, consumers, policy-makers
Object, Methods, Relevance

- **Object:**
  - actual behavior of economic agents

- **Methods:**
  - theoretical models, controlled experiments

- **Relevance:**
  - firms, consumers, policy-makers
Object: *actual* behavior of economic agents
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Methods:
• **Object**: *actual* behavior of economic agents

• **Methods**: theoretical models, controlled experiments
Object: *actual* behavior of economic agents

Methods: theoretical models, controlled experiments

Relevance:
Object: *actual* behavior of economic agents

Methods: theoretical models, controlled experiments

Relevance: firms, consumers, policy-makers
What is an experiment?

A test under controlled conditions
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A test under controlled conditions
Why experiments?

An untested theory is simply a hypothesis. As such it is part of our self-knowledge. Science seeks to expand our knowledge of things by a process of testing this type of self-knowledge. Much of economic theory can be called, appropriately, ecclesiastical theory: it is accepted (or rejected) on the basis of authority, tradition, or opinion about assumptions, rather than on the basis of having survived a rigorous falsification process that can be replicated.

Vernon Smith (1987)
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Vernon Smith (1987)
Why experiments?
rerum
rerum cognoscere
rerum cognoscere causas
rerum cognoscere causas
(felix qui potuit)
Aims

1. Speaking to theorists
2. Searching for facts
3. Whispering in the ears of princes
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Classroom experiments

Tell me and I forget
Teach me and I remember
Involve me and I learn
Tell me and I forget
Classroom experiments

Tell me and I forget
Teach me and I remember
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Tell me and I forget
Teach me and I remember
**Involve** me and I learn
Outline

1. Behavioral Economics
2. Experimental Economics
3. What? Who?
Research Topics

- Bounded rationality
- Social preferences
- Market design
- Social Networks
- Law and economics
- Neuroeconomics
Bounded rationality
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Social preferences
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Market design
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Research Topics

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Social Networks
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Research Topics

Bounded rationality
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Law and economics
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Bounded rationality
Social preferences
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Law and economics
Neuroeconomics
People


