

W4921
POLITICAL ECONOMY SEMINAR
AN EXPERIMENTAL APPROACH

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The purpose of this course is to give students the chance to write an original research paper in political economy. The focus of this year's seminar will be on experimental methods. Experiments have become a standard tool in testing and refining theories, but designing and interpreting economic experiments requires care and practice. The course will expose students to experimental methods and ask them to design an original experiment.

The final paper and active participation in class are the two requirements. Attendance to class is mandatory.

The course is divided into four parts.

During the first part - **4 classes** - I will be lecturing. In particular, we will do a series of classroom experiments and analyze the results. This period gives the students some time to choose their research question. By the end of the third week (**Friday Feb 13th**), a brief research proposal (2-3 pages) is due. The proposal should be organized in the following manner:

- What is the question?
- Why does it matter?
- Possible hypotheses.
- How can it be tested?
- What is the outline of a possible experiment?

The students should try to have the proposal ready as soon as possible, so that I can give some feed-back and suggestions on time for their presentations.

During the second part of the course - **3 classes** - students will present their projects to the class. They are responsible for assigning one reading to the class as background for their presentation and for writing a set of detailed experimental instructions. The focus of the discussion will be: (1) What does the theory say about the question? (2) How are the instructions written? Are they clear? What are possible framing effects? (3) What

questions will be out to the data? How will the data be analyzed? Students should choose the dates of their presentations as soon as possible (it is a wonderful commitment device).

During the third part – **4 classes** - students will conduct the experiments. We will need to decide whether we need a different subject pool, and in this case, whether we can bring friends, use another class, or.....

Finally, in the last part of the course (**3 classes**) the students will present their data, and their results. The paper is due **Monday May 8th**.

Part I

Part I assumes that you are familiar with basic concepts in public economics and political economy (public goods, public goods provision mechanisms, voting paradoxes, median voter results). If you need refreshment, useful references are:

Hindriks, J. and G. Myles, 2006, *Intermediate Public Economics*, MIT Press: Cambridge.

Mueller, D.C., 2003, *Public Choice III*, Cambridge University Press: Cambridge, UK.

Shepsle, K.A. and M. S. Bonchek, 1997, *Analyzing Politics*, Norton: New York.

Useful references in experimental economics are:

Kagel, John H. and Alvin E. Roth, 1995, *The Handbook of Experimental Economics*, Princeton University press: Princeton, NJ.

Palfrey, Thomas, 2005, *Laboratory Experiments in Political Economy*.
(<http://www.princeton.edu/~ceps/workingpapers/111palfrey.pdf>)

In each class, we will run an experiment. At the end, I will assign one or two specific readings and ask you to prepare to discuss the results of the experiment during the first half of the following lecture. The readings are not posted at this time because they will be more effective if done after the experiments.